

ATLANTIC ACCEPTANCE CORPORATION LIMITED
IN RECEIVERSHIP

(MONTREAL TRUST COMPANY
RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1965

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INDEX

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Atlantic Acceptance Corporation Limited - In Receivership	10
Financial Statements	10
Atlantic Acceptance Limited	11
Financial Statements	11
Atlantic Acceptance (International) Limited	12
Financial Statements	12
Atlantic Finance Corporation Limited	13
Financial Statements	13
Atlantic Factors Limited	14
Financial Statements	14
Atlantic Agencies Limited	15
Financial Statements	15
Atlantic Tea Study Blue Limited	16
Financial Statements	16
Atlantic Discount Corporation Limited	17
Financial Statements	17
Atlantic Acceptance Corporation Limited - In Receivership	18
Continuing Financial Statements	18

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1965

INDEX

	<u>Pages</u>
Atlantic Acceptance Corporation Limited - In Receivership:	
Combined Financial Statements	1 to 17
Financial Statements (as a corporation)	18 to 34
Commodore Sales Acceptance Limited - In Receivership:	
Statement of Deficiency in Net Assets	35 to 42
The Premier Finance Corporation Limited - In Receivership:	
Financial Statements	43 to 50
Adelaide Acceptance Limited:	
Financial Statements	51 to 57
Atlantic Acceptance (Toronto) Limited:	
Financial Statements	58 to 64
Atlantic Finance Corporation Limited:	
Financial Statements	65 to 72
Commodore Factors Limited:	
Financial Statements	73 to 79
Concourse Agencies Limited:	
Financial Statements	80 to 85
Pay As You Study Plan Limited:	
Financial Statements	86 to 90
Standard Discount Corporation Limited:	
Financial Statements	91 to 98
Atlantic Acceptance Corporation Limited - In Receivership:	
Combining Financial Statements	99 to 106

However, in our opinion, cash (\$2,664,263), bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks (\$31,323,721), prepaid expenses (\$114,846), and fixed assets (\$92,736) are fairly presented in the Combined Statement of Deficiency in Net Assets. Comments on the other assets shown in the statement are as follows:

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 7, 1966.

We consider that the amount of \$31,611,125, the estimated allowance for possible loss on the collection of notes and accounts receivable, has been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts the allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

AUDITORS' REPORT

The investment made by the Receiver and Manager in Laceran Beach Hotel and Development Limited through shares, debentures and advances (approximately 59,600,000 at Mar 31, 1966 - Note 4 (statements)). We have been unable to form an opinion from this investment.

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

A value of \$700,000 has been placed on the shares to be received in 1965 (Exhibits 1, 2, 3 and 4) of Atlantic Acceptance Corporation Limited - In Receivership. 1966 by approximately \$170,000.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Scope of examination:

Except for Standard Discount Corporation Limited, our examination covered the assets and liabilities and income and expenses included in the combined financial statements of Atlantic Acceptance Corporation Limited - In Receivership and included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors of Standard Discount Corporation Limited whose net assets comprise 4% of the aggregate net assets of \$85,071,751 shown in the Combined Statement of Deficiency in Net Assets as at December 31, 1965.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Combined Statement of Deficiency in Net Assets as at December 31, 1965 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership and to report on the transactions recorded subsequent to June 17, 1965 under the direction of the Receiver and Manager.

Notified for the period from January 1 to June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, with subsequent adjustments.

Combined Statement of Deficiency in Net Assets
as at December 31, 1965 (Exhibit 1):

As explained in Note 1 to the financial statements, Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$2,664,365), bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks (\$14,700,221), miscellaneous accounts receivable and income taxes recoverable (\$1,325,721), prepaid expenses (\$114,466), and fixed assets (\$92,756) are fairly presented in the Combined Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the amount of \$51,611,126, the estimated allowance for possible loss on the collection of notes and accounts receivable, has been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts the allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$5,245,532 (approximately \$9,600,000 at May 31, 1966 - Note 4 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

A value of \$700,000 has been placed on the shares to be received in Great Northern Capital Corporation Limited (Note 5 to the financial statements). This value exceeds the indicated market value at May 31, 1966 by approximately \$170,000.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Full provision has not been made for the fees and expenses of the Receiver and Manager (Note 7 to the financial statements).

Depending on a Court decision, there may be an addition of \$5,138,925 to the senior debt (Note 11 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after 1963 are not entitled to the security of the Senior Note indenture (Note 14 to the financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$110,072,028 is entitled to the security of the indenture.

Combined Statement of Deficit for the period from January 1 to June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, with subsequent adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities as at June 17, 1965 (Exhibit 2)
and

Combined Statement of Loss for the period from January 1 to June 17, 1965 (Exhibit 3):

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations

came under the control of the Receiver and Manager, we are not in a position to express an opinion on the operations of the company as set out in the Combined Statement of Deficit (Exhibit 2) and the Combined Statement of Loss (Exhibit 3) for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of certain important assets as referred to in the preceding section of this report.

Combined Statement of Loss for the period from
June 18 to December 31, 1965 (Exhibit 4):

Except that full provision has not been made for the fees and expenses of the Receiver and Manager (Note 7 to the financial statements) and that we are unable to form an opinion as to the amount which may be realized from the investment in Lucayan Beach Hotel and Development Limited (Note 4 to the financial statements), in our opinion, the Combined Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the combined income and expenses arising in that period from the net assets under the control of the Receiver and Manager.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

(See Note 1 for basis of preparation of combined financial statements.)

Assets under the control of the Receiver and Manager:

Cash (Note 2)		\$ 2,664,365
Bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks, maturing within one year, at cost plus accrued interest		14,700,221
Instalment notes and accounts receivable (Note 3):		
Instalment contracts, less unearned interest of \$7,816,159	\$ 47,182,448	
Interest-bearing loans, including accrued interest	<u>66,494,074</u>	
	113,676,522	
	<u>51,611,126</u>	
Less- Estimated allowance for possible loss		62,065,396
Miscellaneous accounts receivable and income taxes recoverable		1,325,721
Prepaid expenses, at estimated realizable value		114,466
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 4)-		
Shares and debentures, at cost	\$3,615,154	
Advances, including accrued interest	<u>1,630,378</u>	
		5,245,532
Shares of Great Northern Capital Corporation Limited (Note 5)	<u>700,000</u>	
		5,945,532
Fixed assets, at estimated realizable value		<u>92,756</u>
Forward		\$ 86,908,457

Forward

\$ 86,908,457

Deduct- Liabilities of the Receiver and Manager:

Accounts payable and accrued liabilities	\$ 1,275,593	
Amounts due to dealers when related instalment notes and accounts receivable are collected (Note 6)		<u>561,113</u>
		<u>1,836,706</u>

Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager (Note 7)		85,071,751
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Deduct- Senior debt (Notes 8 and 11) 110,072,028

Deficiency in net assets to meet senior debt outstanding, before full provision for the fees and expenses of the Receiver and Manager (Note 7)		25,000,277
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Other liabilities:

Subordinated debt (Note 9)	17,260,821	
Junior subordinated debt (Note 10)	4,476,074	
Due in respect of notes cancelled (Note 11)	5,138,925	
Accounts payable and accrued liabilities	78,706	
Dividends payable	249,430	
Contingent liabilities (Note 12)	<u>-</u>	<u>27,203,956</u>

Deficiency in net assets		<u>\$ 52,204,233</u>
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Represented by:

Capital stock		\$ 14,455,087
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Deficit-

As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	\$ 66,379,855	
For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4)	<u>279,465</u>	<u>(66,659,320)</u>
		<u>\$ 52,204,233</u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
 WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
 FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
 ASSETS AND LIABILITIES AS AT JUNE 17, 1965

Retained earnings at December 31, 1964, as shown by the audited consolidated financial statements		\$ 1,404,340
Add- Transfer of first preference share redemption reserve		<u>46,736</u>
		1,451,076
Deduct:		
Dividends-		
First preference shares	\$ 7,983	
Second preference shares-		
Series "A"	136,800	
Series "B"	7,200	
Third preference shares	4,500	
Common shares	<u>314,873</u>	
	471,356	
Write down of furniture and fixtures	12,871	
Goodwill written off	65,000	
Loss for the period from January 1 to June 17, 1965 (Exhibit 3)	2,813,660	
Premium on senior and subordinated notes	<u>2,446,457</u>	
		<u>5,809,344</u>
Deficit, as shown by the unaudited consolidated financial statements at June 17, 1965		4,358,268
Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:		
Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	4,918,241	
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	51,106,822	
Increase in unearned interest at June 17, 1965 (Note 13)	<u>4,619,654</u>	
Forward	\$60,644,717	\$ 4,358,268

Forward	\$60,644,717	\$ 4,358,268
Deferred charges written off-		
Unamortized long-term debt financing expenses	1,080,497	
Unamortized cost of investment in subsidiary companies in excess of book value at date of acquisition	1,002,118	
Prepaid expenses	560,171	
Unamortized cost of developing new branches	494,385	
Leasehold improvements, less accumulated depreciation	21,629	
Loss arising when an asset of one of the companies, having a book value of \$750,000, was seized by the bank in partial satisfaction of their loan of \$614,001	135,999	
Write-down of fixed assets to estimated realizable value	75,698	
Adjustment (net) in liabilities recorded at June 17, 1965	98,064	
Adjustment of income taxes, mainly in respect of the year ended December 31, 1964 recoverable as a result of losses in 1965	(812,475)	
Value assigned to shares of Great Northern Capital Corporation Limited (Note 5)	(700,000)	
Adjustment of foreign exchange on notes payable in United States dollars based on exchange rates at December 31, 1965	(534,616)	
Amount received in excess of miscellaneous account receivable recorded at June 17, 1965	<u>(44,600)</u>	
		<u>62,021,587</u>
Deficit at June 17, 1965, as adjusted to December 31, 1965		<u><u>\$66,379,855</u></u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$ 9,077,552
Operating expenses:		
Administrative, per statement attached		\$9,009,792
Interest on notes-		
Senior debt-		
Bank advances	\$ 120,141	
Short-term	1,126,107	
Medium-term	116,382	
Long-term	1,159,988	
Subordinated debt	391,228	
Junior subordinated debt	105,156	
		<u>3,019,002</u>
Total operating expenses		<u>12,028,794</u>
Loss before income tax adjustment		2,951,242
Income taxes recoverable		<u>137,582</u>
Loss for the period, as shown by the unaudited financial statements at June 17, 1965		<u><u>\$ 2,813,660</u></u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

Advertising	\$ 55,784
Amortization of cost of developing new branches	97,614
Amortization of debt financing expenses	55,211
Amortization of premium on debentures of subsidiary company	8,026
Bank charges, including interest	53,305
Capital and place of business taxes	30,743
Collection expenses	14,585
Credit information	36,477
Creditors' life insurance	98,104
Depreciation	22,698
Directors' fees	3,000
Discounts to dealers	418,971
Employee benefits	31,767
Financial advisory fees	89,119
Foreign exchange-	
On debts payable in United States dollars	1,165,297
Other	77,150
Insurance	23,392
Legal and audit	42,926
Miscellaneous	32,621
Notary, filing and recording fees	43,343
Occupancy	34,601
Office equipment rental	124,172
Office maintenance	40,786
Postage	35,828
Printing, stationery and office supplies	134,464
Provision for possible loss on notes and accounts receivable	4,248,353
Rent	197,792
Salaries	1,481,990
Telephone and telegraph	172,252
Travel and automobile expenses	281,262
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	9,151,633
Less- Portion of expenses relating to the development of new branches deferred for write off against future earnings	<hr/>
	141,841
	<hr/>
	\$9,009,792
	<hr/>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS
 FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
 WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
 OF THE RECEIVER AND MANAGER

Operating income:		
Interest (Note 13)		\$7,742,083
Interest on advances to Lucayan Beach		
Hotel and Development Limited		66,348
Interest on marketable securities		<u>100,114</u>
		7,908,545
Operating expenses:		
Administrative, per statement attached		\$4,231,139
Interest on notes-		
Senior debt-		
Bank advances	\$ 243,723	
Short-term	1,265,529	
Medium-term	147,405	
Long-term	1,492,424	
Subordinated debt	540,999	
Junior subordinated debt	142,366	
Interest on notes cancelled	<u>124,425</u>	
		<u>3,956,871</u>
Total operating expenses		<u>8,188,010</u>
Loss for the period		<u><u>\$ 279,465</u></u>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Advertising	\$ 26,555
Bank charges, including interest	73,458
Capital and place of business taxes	10,592
Collection expenses	20,784
Credit information	20,136
Creditors' life insurance	96,546
Depreciation	32,064
Discounts to dealers	60,342
Employee benefits	34,788
Foreign exchange	43,745
Insurance	24,840
Legal and audit	58,213
Management and consulting fees to G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited	187,938
Miscellaneous	25,396
Notary filing and recording fees	27,119
Occupancy	53,695
Office equipment rental	145,322
Office maintenance	50,282
Postage	45,439
Printing, stationery and office supplies	88,094
Provision for possible loss on notes and accounts receivable	659,982
Rent	239,242
Salaries	1,643,603
Telephone and telegraph	217,107
Travel and automobile expenses	283,238
	<hr/>
	4,168,520
Expenses of the Receiver and Manager (Note 7)	62,619
	<hr/>
	\$4,231,139
	<hr/>

(The accompanying notes are an integral part of the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of combined financial statements:

As a result of default under the Senior Note indenture, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance Corporation Limited on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of the subsidiary companies. To further assist in orderly liquidation, on July 29, 1965 Montreal Trust Company was appointed Receiver and Manager of two of the company's subsidiaries, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited.

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1965 (Exhibit 1) includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Atlantic Finance Corporation Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited
Standard Discount Corporation Limited.

The assets are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the three receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965 (before full provision for the fees and expenses of the Receiver and Manager referred to in Note 7).

In order to reconcile the retained earnings shown in the consolidated accounts of Atlantic Acceptance Corporation Limited and subsidiary companies as at December 31, 1964 with the deficit shown by the Combined Statement of Deficiency in Net Assets as at December 31, 1965, there are attached, as Exhibits 2 and 3 respectively, a Combined Statement of Deficit and Combined Statement of Loss, showing the results of the operations of Atlantic Acceptance and subsidiary companies from January 1 to June 17, 1965 as shown by the unaudited consolidated financial statements of the companies at June 17, 1965 and as set out in the

report of the Receiver and Manager dated August 18, 1965. The subsequent adjustments to the accounts at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Combined Statement of Deficit (Exhibit 2).

The results of the operations carried out by or under the direction of the Receiver and Manager, in respect of the assets acquired from the three companies in receivership and the above companies not in receivership, are set out in the Combined Statement of Loss shown on Exhibit 4.

In combining the financial statements as described above, all inter-group assets and liabilities and income and expenses have been eliminated.

The financial statements of Lucayan Beach Hotel and Development Limited have not been combined with those of Atlantic Acceptance because Lucayan's operations are different and unrelated to those of the other companies in the group. For information concerning Lucayan reference should be made to Note 4.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

2. Cash:

Cash includes bank deposits of \$970,862 which were seized on June 17, 1965 by the depositaries who await direction from the Court as to the disposition thereof. Certain banks have claimed a right to offset \$965,465 of these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Instalment notes and accounts receivable:

The receivables are generally represented by promissory notes secured in many cases by conditional sales contracts, chattel mortgages, mortgages on real property, or other commercial paper. Included in the receivables are interest-bearing loans made by Adelaide Acceptance, Commodore Sales and Commodore Factors which aggregate approximately \$44,000,000 and against which a provision of approximately \$35,500,000 has been made as an estimated allowance for possible loss on collection since most of the debtors are in financial difficulties or in bankruptcy. For the most part, the remaining receivables are payable over periods of up to five years. Every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances, and arrangements have also been made for the sale of any or all of notes aggregating approximately \$73,000,000, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$51,611,126 has been made in the Combined Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

4. Lucayan Beach Hotel and Development Limited:

In order to protect the security (in the form of a minority interest of approximately 30% in the shares of Lucayan) for certain substantial loans made by Commodore Sales and to improve the prospects of recovery from such loans, the Receiver and Manager took steps to acquire control of Lucayan by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,615,154. The shares purchased plus the shares held as collateral for loans total over 90% of the outstanding shares of Lucayan.

A value of approximately \$2,000,000 has been placed on the shares held as collateral when determining the estimated recovery from the loans made by Commodore Sales which are included in the instalment notes and accounts receivable.

The Receiver and Manager also made advances to Lucayan totalling \$1,630,378 to December 31, 1965 to assist it in meeting its current obligations. The security for advances made to Lucayan is to be a floating charge debenture covering all of the assets of the company.

The total investment made by the Receiver and Manager in Lucayan through shares, debentures and advances amounted to approximately \$9,600,000 at May 31, 1966, the principal change in 1966 being an additional advance of \$3,853,175 to enable Lucayan to retire a first mortgage on the hotel properties.

5. Shares of Great Northern Capital Corporation Limited:

As mentioned in Note 1, Commodore Sales was placed in receivership on July 29, 1965 when the Receiver and Manager took over all of the assets of Commodore Sales which, except for a short-term note of Atlantic Acceptance pledged as security for a bank loan to Commodore Sales, were charged as security for the senior debt of Atlantic Acceptance. Thus, following the receivership, Commodore Sales had no assets and the security taken over by the Receiver and Manager was insufficient to liquidate the liability to Atlantic Acceptance.

Under an agreement of December 28, 1965 the Receiver and Manager of Atlantic Acceptance sold the shares of Commodore Sales to Great Northern Capital Corporation Limited for 200,000 shares without par value of that company's capital stock. The shares are receivable when a proposal made by Commodore Sales to its creditors under the Bankruptcy Act has been approved by the creditors and the Court. The creditors and the Court approved the proposal in 1966. In the agreement a value of \$700,000 (i.e. \$3.50 per share) was placed on the 200,000 shares of Great Northern and this value has been used for purposes of the accounts. The bid price of the shares of Great Northern, which are traded on the Toronto Stock Exchange, was \$3.00 per share on December 31, 1965 and \$2.65 per share on May 31, 1966.

6. Amounts due to dealers:

It is anticipated that the amount due to dealers arising from the companies in receivership (\$395,301) may be required to provide for losses on the related receivables of those companies.

7. Fees and expenses of the Receiver and Manager:

Except for expenses aggregating \$62,619 shown in the Statement of Administrative Expenses for the period from June 18 to December 31, 1965, no provision has been made in the Combined Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

8. Senior debt:

The senior debt of the company, which became due and payable upon the default referred to in Note 1, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):			
Payable in Canadian dollars		\$ 3,250,000	
Payable in United States dollars (U.S. \$4,000,000)		<u>4,300,000</u>	\$ 7,550,000
Short-term notes:			
Payable in Canadian dollars		30,270,135	
Payable in United States dollars (U.S. \$15,953,000)		<u>17,149,475</u>	47,419,610
Medium-term notes:			
Payable in Canadian dollars-			
5 %		100,000	
5 3/8%		140,000	
5 7/8%		700,000	
Payable in United States dollars-			
5 % (U.S. \$2,000,000)		2,150,000	
5 1/4% (U.S. \$2,000,000)		<u>2,150,000</u>	5,240,000
Long-term notes:			
Payable in Canadian dollars-			
Series B 6 1/2%		846,000	
Series C 5 3/4%		600,000	
Series D 5 3/4%		400,000	
Series E 6 1/4%		400,000	
Series F 5 1/4%		100,000	
Series G 6 1/4%		100,000	
Series H 6 %		700,000	
Series I 6 %		1,250,000	
Series O 6 1/8%		1,500,000	
Payable in United States dollars-			
Series A 6 1/2% (U.S. \$3,384,000)		3,637,800	
Series J 6 % (U.S. \$2,250,000)		2,418,750	
Series K 6 % (U.S. \$1,500,000)		1,612,500	
Series L 6 % (U.S. \$2,500,000)		2,687,500	
Series M 6 % (U.S. \$2,500,000)		2,687,500	
Series N 5 3/4% (U.S. \$7,500,000)		8,062,500	
Series P 6 % (U.S. \$1,500,000)		1,612,500	
Series Q 6 % (U.S. \$8,500,000)		9,137,500	
Series R 5 7/8% (U.S. \$5,460,000)		<u>5,869,500</u>	
		43,622,050	
Redemption premium		<u>2,165,696</u>	45,787,746
			<u>105,997,356</u>
Accrued interest on senior debt to December 31, 1965			4,074,672
			<u>\$110,072,028</u>

9. Subordinated debt:

The subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 %		\$ 23,500
6 1/4%		4,500,000
Payable in United States dollars-		
6 1/2% (U.S. \$2,250,000)		2,418,750
6 1/2% (U.S. \$ 782,000)		840,650
6 % (U.S. \$3,478,000)		3,738,850
6 1/4% (U.S. \$2,340,000)		2,515,500
6 1/4% (U.S. \$2,000,000)		2,150,000
		<hr/> 16,187,250
Redemption premium		400,246
		<hr/> 16,587,496
Accrued interest on subordinated debt to December 31, 1965		<hr/> 673,325
		<hr/> <hr/> \$17,260,821

10. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 1/2%		\$ 1,000,000
6 3/4%		400,000
6 3/4%		150,000
Payable in United States dollars-		
6 % (U.S. \$2,000,000)		2,150,000
6 1/2% (U.S. \$ 500,000)		537,500
		<hr/> 4,237,500
Accrued interest on junior subordinated debt to December 31, 1965		<hr/> 238,574
		<hr/> <hr/> \$ 4,476,074

11. Due in respect of notes cancelled:

On June 14, 1965 two short-term notes aggregating \$5,010,000, a part of the senior debt of the company, were paid by cheques and the notes were delivered to, and cancelled by, the Trustee for the noteholders. The cheques were not honoured on presentation, and an action has been commenced in the Supreme Court of Ontario against the Trustee and the company for an order declaring the validity of the short-term senior notes. Judgement has not yet been handed down by the Court.

If the Court rules that the notes are valid, the total amount owing under these notes (\$5,138,925, which includes accrued interest thereon to December 31, 1965) will become part of the senior debt of the company.

12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$550,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

13. Method of taking up income from instalment sales contracts:

At December 31, 1965, approximately 85% of the instalment contracts receivable (viz. those on which the outstanding balances include unearned interest) were owned by two of the companies, Atlantic Acceptance Corporation Limited and Atlantic Finance Corporation Limited. Up to June 17, 1965, it was the practice of these companies to take into income in the month of acquisition of such receivables a substantial portion (usually 40%) of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts of these companies at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the companies, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold by these companies under the agreement of July 21, 1965 as referred to in Note 3.

14. Litigation:

Two actions have been commenced in the Supreme Court of Ontario against Montreal Trust Company, in its capacity as Trustee for the holders of senior notes, for a declaration of the Court that certain outstanding senior notes were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. The plaintiff in the first action is one Donald Ross, suing on behalf of himself and all other holders of the initial series of subordinated notes, and the plaintiff in the second action is Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture. The senior notes impugned in this litigation comprise the outstanding short-term notes and medium-term notes issued after 1963 and the Series O to Series R notes. Montreal Trust Company has instructed its solicitors to take appropriate steps to the end that the actions will be defended by or on behalf of the holders of such senior notes.

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965.

Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Statement of Deficiency in Net Assets as at December 31, 1965 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) and to report on the transactions recorded subsequent to June 17, 1965 under the direction of the Receiver and Manager.

Statement of Deficiency in Net Assets as at December 31, 1965 (Exhibit 1):

As explained in Note 1 to the financial statements, Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,991,733), bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks (\$14,700,221), miscellaneous accounts receivable and income taxes recoverable (\$730,882), prepaid expenses (\$75,513), and fixed assets (\$7,473) are fairly presented in the Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the amount of \$10,000,000, the estimated allowance for possible loss on the collection of notes and accounts receivable, has been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts the allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

The investment in wholly-owned subsidiary companies in the amount of \$32,668,998 and the estimated equity in assets held by the Receiver and Manager arising from the receivership of Commodore Sales Acceptance Limited and The Premier Finance Corporation Limited in the amount of \$7,681,873 are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above. In estimating the realizable values of the underlying assets we have relied on the accounts of Standard Discount Corporation Limited as reported on by other auditors. The net assets of Standard Discount are approximately 4% of the estimated realizable value of the net assets of \$85,071,751 shown in the Statement of Deficiency in Net Assets.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$5,245,532 (approximately \$9,600,000 at May 31, 1966 - Note 5 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

A value of \$700,000 has been placed on the shares to be received in Great Northern Capital Corporation Limited (Note 6 to the financial statements). This value exceeds the indicated market value at May 31, 1966 by approximately \$170,000.

We are also of the opinion that the liabilities are fairly presented in the Statment of Deficiency in Net Assets except that:

Full provision has not been made for the fees and expenses of the Receiver and Manager. (Note 8 to the financial statements).

Depending on a Court decision, there may be an addition of \$5,138,925 to the senior debt (Note 12 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after 1963 are not entitled to the security of the Senior Note indenture (Note 15 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$110,072,028 is entitled to the security of the indenture.

Statement of Deficit for the period from January 1 to
 June 17, 1965, the date when Atlantic Acceptance Corporation
 Limited went into receivership, with subsequent adjustments
 during the period from June 18 to December 31, 1965 relating
 to the assets and liabilities as at June 17, 1965 (Exhibit 2)
 and

Statement of Loss for the period from January 1 to June 17,
 1965 (Exhibit 3):

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager, we are not in a position to express an opinion on the operations of the company as set out in the Statement of Deficit (Exhibit 2) and the Statement of Loss (Exhibit 3) for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of certain important assets as referred to in the preceding section of this report.

Statement of Loss for the period from
June 18 to December 31, 1965 (Exhibit 4):

Except that full provision has not been made for the fees and expenses of the Receiver and Manager (Note 8 to the financial statements) and that we are unable to form an opinion as to the amount which may be realized from the investment in Lucayan Beach Hotel and Development Limited (Note 5 to the financial statements), in our opinion, the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period from the net assets under the control of the Receiver and Manager.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

Assets under the control of the Receiver and Manager:

Cash (Note 2)		\$ 1,991,733
Bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks, maturing within one year, at cost plus accrued interest thereon		14,700,221
Instalment notes and accounts receivable (Note 3):		
Instalment contracts, less unearned interest of \$4,252,813	\$27,980,576	
Interest-bearing loans, including accrued interest	<u>4,078,580</u>	
	32,059,156	
Less- Estimated allowance for possible loss	<u>10,000,000</u>	22,059,156
Miscellaneous accounts receivable and income taxes recoverable		730,882
Prepaid expenses, at estimated realizable value		75,513
Investments and advances:		
Wholly-owned subsidiary companies (Note 4)-		
Shares, at cost less amounts written off	\$ 80,000	
Advances, at estimated realizable values	<u>32,588,998</u>	32,668,998
Lucayan Beach Hotel and Development Limited (Note 5)-		
Shares and debentures, at cost	3,615,154	
Advances, including accrued interest	<u>1,630,378</u>	5,245,532
Shares of Great Northern Capital Corporation Limited (Note 6)	<u>700,000</u>	38,614,530
Estimated equity in assets held by Receiver and Manager arising from receivership of Commodore Sales Acceptance Limited and The Premier Finance Corporation Limited		7,681,873
Fixed assets, at estimated realizable value		<u>7,473</u>

Forward

\$85,861,381

Forward

\$85,861,381

Deduct- Liabilities of the Receiver and Manager:

Accounts payable and accrued liabilities	\$ 447,985	
Amounts due to dealers when related instalment notes and accounts receivable are collected (Note 7)	<u>341,645</u>	<u>789,630</u>

Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager (Note 8)		85,071,751
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Deduct- Senior debt (Notes 9 and 12) 110,072,028

Deficiency in net assets to meet senior debt outstanding, before full provision for the fees and expenses of the Receiver and Manager (Note 8)		25,000,277
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Other liabilities:

Subordinated debt (Note 10)	17,260,821	
Junior subordinated debt (Note 11)	4,476,074	
Due in respect of notes cancelled (Note 12)	5,138,925	
Accounts payable and accrued liabilities	78,706	
Dividends payable	249,430	
Contingent liabilities (Note 13)	<u>-</u>	<u>27,203,956</u>

Deficiency in net assets		<u><u>\$52,204,233</u></u>
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Represented by:

Capital stock		\$14,455,087
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Deficit-

As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	66,379,855	
For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4)	<u>279,465</u>	<u>(66,659,320)</u>
		<u><u>\$52,204,233</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AS AT JUNE 17, 1965

Retained earnings at December 31, 1964, as shown by the audited financial statements		\$ 454,152
Add- Transfer of first preference share redemption reserve		<u>46,736</u>
		500,888
Deduct:		
Dividends-		
First preference shares	\$ 7,983	
Second preference shares-		
Series "A"	136,800	
Series "B"	7,200	
Third preference shares	4,500	
Common shares	<u>314,873</u>	
	471,356	
Loss for the period from January 1 to June 17, 1965 (Exhibit 3)	1,484,550	
Premium on senior and subordinated notes	<u>2,446,457</u>	
		<u>4,402,363</u>
Deficit, as shown by the unaudited financial statements at June 17, 1965		3,901,475
Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:		
Write-down of investment in, and advances to, subsidiary companies-		
Shares and debentures	1,727,933	
Advances	<u>43,775,375</u>	
	45,503,308	
Less- Value assigned to shares of Great Northern Capital Corporation Limited (Note 6)	<u>700,000</u>	
	44,803,308	
Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	3,215,798	
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	9,936,000	
Increase in unearned interest at June 17, 1965 (Note 14)	<u>3,264,444</u>	
Forward	\$61,219,550	\$ 3,901,475

Forward	\$61,219,550	\$ 3,901,475
Deferred charges written off-		
Unamortized long-term debt financing expenses	1,080,497	
Unamortized cost of developing new branches	119,469	
Unamortized premium on debentures of subsidiary company	175,784	
Prepaid expenses	408,308	
Leasehold improvements, less accumulated depreciation	6,110	
Write-down of fixed assets to estimated realizable value	22,050	
Adjustment of foreign exchange on notes payable in United States dollars based on exchange rates at December 31, 1965	(534,616)	
Adjustment (net) in liabilities recorded at June 17, 1965	<u>(18,772)</u>	
		<u>62,478,380</u>
Deficit at June 17, 1965, as adjusted to December 31, 1965		<u><u>\$66,379,855</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$3,492,532
Interest on advances to subsidiary companies		2,417,589
Dividends from subsidiary companies		369,568
Management fees charged to subsidiary companies		<u>58,889</u>
		6,338,578
Operating expenses:		
Administrative, per statement attached		\$5,200,740
Interest on notes-		
Senior debt-		
Bank advances	\$ 105,706	
Short-term	1,126,107	
Medium-term	116,382	
Long-term	1,159,988	
Subordinated debt	391,228	
Junior subordinated debt	<u>105,156</u>	
		<u>3,004,567</u>
Total operating expenses		<u>8,205,307</u>
Loss before income tax adjustment		1,866,729
Income taxes recoverable		<u>382,179</u>
Loss for the period, as shown by the unaudited financial statements at June 17, 1965		<u><u>\$1,484,550</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

Advertising	\$ 378
Amortization of cost of developing new branches	30,397
Amortization of debt financing expenses	55,211
Amortization of premium on debentures of subsidiary company	8,026
Bank charges	24,768
Capital and place of business taxes	15,000
Collection expenses	(3,963)
Credit information	16,496
Creditors' life insurance	88,311
Depreciation	5,205
Directors' fees	3,000
Discounts to dealers	379,037
Employee benefits	7,714
Financial advisory fees	78,841
Foreign exchange-	
On debts payable in United States dollars	1,165,297
Other	122,196
Insurance	12,893
Legal and audit	15,905
Miscellaneous	22,027
Notary, filing and recording fees	15,518
Occupancy	13,549
Office equipment rental	51,248
Office maintenance	10,456
Postage	11,831
Printing, stationery and office supplies	37,283
Provision for possible loss on notes and accounts receivable	2,114,354
Rent	55,889
Salaries	640,684
Telephone and telegraph	63,895
Travel and automobile expenses	152,464
	<hr/>
	5,213,910
Less- Portion of expenses relating to the development of new branches deferred for write-off against future earnings	<hr/>
	13,170
	<hr/>
	\$5,200,740

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE
CONTROL OF THE RECEIVER AND MANAGER

Operating income:		
Interest (Note 14)		\$3,982,530
Interest on advances to Lucayan Beach Hotel and Development Limited		66,348
Management fee charged to subsidiary company		167,500
Interest on marketable securities		<u>100,114</u>
		4,316,492
Operating expenses:		
Administrative, per statement attached	\$1,596,156	
Interest on notes-		
Senior debt-		
Bank advances	\$ 243,723	
Short-term	1,265,529	
Medium-term	147,405	
Long-term	1,492,424	
Subordinated debt	540,999	
Junior subordinated debt	142,366	
Interest on notes cancelled	<u>124,425</u>	
	<u>3,956,871</u>	
		<u>5,553,027</u>
Excess of operating expenses over income before interest charged to subsidiaries		1,236,535
Interest in the amount of \$2,980,730 charged on advances to subsidiary companies (see Note), less \$2,023,660 to provide for the net loss of these companies		<u>957,070</u>
Loss for the period		<u><u>\$ 279,465</u></u>

Note: Subsidiary companies include Commodore Sales
Acceptance Limited and The Premier Finance Corporation
Limited, but exclude Lucayan Beach Hotel and Development
Limited.

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE
CONTROL OF THE RECEIVER AND MANAGER

Advertising	\$ 191
Bank charges, including interest	34,556
Collection expenses	2,660
Credit information	6,117
Creditors' life insurance	82,330
Depreciation	3,941
Discounts to dealers	5,825
Employee benefits	13,846
Foreign exchange	1,812
Insurance	10,442
Legal and audit	23,638
Management and consulting fees to G.A.C. International Acceptance Corporation Limited	110,397
Miscellaneous	6,827
Notary filing and recording fees	5,172
Occupancy	16,299
Office equipment rental	53,346
Office maintenance	12,879
Postage	10,617
Printing, stationery and office supplies	26,202
Provision for possible loss on notes and accounts receivable	203,467
Rent	66,424
Salaries	609,910
Telephone and telegraph	83,106
Travel and automobile expenses	<u>143,533</u>
	1,533,537
Expenses of the Receiver and Manager	<u>62,619</u>
	<u><u>\$1,596,156</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance Corporation Limited on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of the subsidiary companies. To further assist in orderly liquidation, on July 29, 1965 Montreal Trust Company was appointed Receiver and Manager of two of the company's subsidiaries, The Premier Finance Corporation Limited and Commodore Sales Acceptance Limited.

In order to reconcile the retained earnings shown in the accounts of Atlantic Acceptance (as a corporation) as at December 31, 1964 with the deficit shown by the Statement of Deficiency in Net Assets as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the accounts of the company at June 17, 1965. The subsequent adjustments to the accounts at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out by or under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

In the attached statements, all balances are stated in Canadian dollars, with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

2. Cash:

Cash includes bank deposits of \$970,862 which were seized on June 17, 1965 by the depositaries who await direction from the Court as to the disposition thereof. Certain banks have claimed a right to offset \$965,465 of these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured by conditional sales contracts, chattel mortgages, mortgages on real property, or other commercial paper. Instalment contracts are generally payable over periods of from three to five years while interest-bearing loans are payable over longer terms mostly up to ten years. Every effort is being made to collect the outstanding notes and accounts as they fall due and in addition arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$10,000,000 has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

4. Investments in and advances to subsidiaries:

The investments in and advances to the wholly-owned subsidiaries have been written down to the amount expected to be realized by the Receiver and Manager from the net assets of the following companies:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Atlantic Finance Corporation Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As You Study Plan Limited
Standard Discount Corporation Limited

5. Lucayan Beach Hotel and Development Limited:

In order to protect the security (in the form of a minority interest of approximately 30% in the shares of Lucayan) for certain substantial loans made by Commodore Sales and to improve the prospects of recovery from such loans, the Receiver and Manager took steps to acquire control of Lucayan by purchasing 61.4% of the outstanding shares of that company and second mortgage debentures of the face value of U.S. \$1,200,000, for an aggregate consideration of \$3,615,154. The shares purchased plus the shares held as collateral for loans total over 90% of the outstanding shares of Lucayan.

A value of approximately \$2,000,000 has been placed on the shares held as collateral when determining the estimated equity in assets held by the Receiver and Manager arising from the receivership of Commodore Sales.

The Receiver and Manager also made advances to Lucayan totalling \$1,630,378 to December 31, 1965 to assist it in meeting its current obligations. The security for advances made to Lucayan is to be a floating charge debenture covering all of the assets of the company.

The total investment in Lucayan through shares, debentures and advances amounted to approximately \$9,600,000 at May 31, 1966, the principal change in 1966 being an additional advance of \$3,853,175 to enable Lucayan to retire a first mortgage on the hotel properties.

6. Shares of Great Northern Capital Corporation Limited:

As mentioned in Note 1, Commodore Sales was placed in receivership on July 29, 1965 when the Receiver and Manager took over all of the assets of Commodore Sales which, except for a short-term note of Atlantic Acceptance pledged as security for a bank loan to Commodore Sales, were charged as security for the senior debt of Atlantic Acceptance. Thus, following the receivership, Commodore Sales had no assets and the security taken over by the Receiver and Manager was insufficient to liquidate the liability to Atlantic Acceptance.

Under an agreement of December 28, 1965 the Receiver and Manager of Atlantic Acceptance sold the shares of Commodore Sales to Great Northern Capital Corporation Limited for 200,000 shares without par value of that company's capital stock. The shares are receivable when a proposal made by Commodore Sales to its creditors under the Bankruptcy Act has been approved by the creditors and the Court. The creditors and the Court approved the proposal in 1966. In the agreement a value of \$700,000 (i.e. \$3.50 per share) was placed on the 200,000 shares of Great Northern and this value has been used for purposes of the accounts. The bid price of the shares of Great Northern, which are traded on the Toronto Stock Exchange, was \$3.00 per share on December 31, 1965 and \$2.65 per share on May 31, 1966.

7. Amounts due to dealers:

It is anticipated that the amount due to dealers may be required to provide for losses on the related receivables.

8. Fees and expenses of the Receiver and Manager:

Except for expenses aggregating \$62,619 shown in the Statement of Administrative Expenses for the period from June 18 to December 31, 1965, no provision has been made in the Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

9. Senior debt:

The senior debt of the company, which became due and payable upon the default referred to in Note 1, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	
Payable in United States dollars (U.S. \$4,000,000)	<u>4,300,000</u>	\$ 7,550,000
Short-term notes:		
Payable in Canadian dollars	30,270,135	
Payable in United States dollars (U.S. \$15,953,000)	<u>17,149,475</u>	47,419,610
Medium-term notes:		
Payable in Canadian dollars-		
5 %	100,000	
5 3/8%	140,000	
5 7/8%	700,000	
Payable in United States dollars-		
5 % (U.S. \$2,000,000)	2,150,000	
5 1/4% (U.S. \$2,000,000)	<u>2,150,000</u>	<u>5,240,000</u>
Forward		\$60,209,610

Forward

\$ 60,209,610

Long-term notes:

Payable in Canadian dollars-

Series B	6 1/2%	\$ 846,000
Series C	5 3/4%	600,000
Series D	5 3/4%	400,000
Series E	6 1/4%	400,000
Series F	5 1/4%	100,000
Series G	6 1/4%	100,000
Series H	6 %	700,000
Series I	6 %	1,250,000
Series O	6 1/8%	1,500,000

Payable in United States dollars-

Series A	6 1/2%	(U.S. \$3,384,000)	3,637,800
Series J	6 %	(U.S. \$2,250,000)	2,418,750
Series K	6 %	(U.S. \$1,500,000)	1,612,500
Series L	6 %	(U.S. \$2,500,000)	2,687,500
Series M	6 %	(U.S. \$2,500,000)	2,687,500
Series N	5 3/4%	(U.S. \$7,500,000)	8,062,500
Series P	6 %	(U.S. \$1,500,000)	1,612,500
Series Q	6 %	(U.S. \$8,500,000)	9,137,500
Series R	5 7/8%	(U.S. \$5,460,000)	<u>5,869,500</u>

43,622,050

Redemption premium

2,165,696

45,787,746

105,997,356

Accrued interest on senior debt to December 31, 1965

4,074,672

\$110,072,028

10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-

6 %	\$ 23,500
6 1/4%	4,500,000

Payable in United States dollars-

6 1/2%	(U.S. \$2,250,000)	2,418,750
6 1/2%	(U.S. \$ 782,000)	840,650
6 %	(U.S. \$3,478,000)	3,738,850
6 1/4%	(U.S. \$2,340,000)	2,515,500
6 1/4%	(U.S. \$2,000,000)	<u>2,150,000</u>

16,187,250

Redemption premium

400,246

16,587,496

Accrued interest on subordinated debt to December 31, 1965

673,325

\$ 17,260,821

11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default referred to in Note 1, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 1/2%	1,000,000
6 3/4%	400,000
6 3/4%	150,000
Payable in United States dollars-	
6 % (U.S. \$2,000,000)	2,150,000
6 1/2% (U.S. \$ 500,000)	537,500
	4,237,500
Accrued interest on junior subordinated debt to December 31, 1965	238,574
	<u>\$4,476,074</u>

12. Due in respect of notes cancelled:

On June 14, 1965 two short-term notes aggregating \$5,010,000, a part of the senior debt of the company, were paid by cheques and the notes were delivered to, and cancelled by, the Trustee for the noteholders. The cheques were not honoured on presentation, and an action has been commenced in the Supreme Court of Ontario against the Trustee and the company for an order declaring the validity of the short-term senior notes. Judgement has not yet been handed down by the Court.

If the Court rules that the notes are valid, the total amount owing under these notes (\$5,138,925, which includes accrued interest thereon to December 31, 1965) will become part of the senior debt of the company.

13. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$550,000 and it is possible that there may be additional contingent liabilities. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

14. Method of taking up income from instalment sales contracts:

Up to June 17, 1965 it was the practice of the company to take into income in the month of acquisition of instalment contracts receivable a substantial portion (usually 40%) of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the company, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold under the agreement of July 21, 1965 as referred to in Note 3.

15. Litigation:

Two actions have been commenced in the Supreme Court of Ontario against Montreal Trust Company, in its capacity as Trustee for the holders of senior notes, for a declaration of the Court that certain outstanding senior notes were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. The plaintiff in the first action is one Donald Ross, suing on behalf of himself and all other holders of the initial series of subordinated notes, and the plaintiff in the second action is Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture. The senior notes impugned in this litigation comprise the outstanding short-term notes and medium-term notes issued after 1963 and the Series O to Series R notes. Montreal Trust Company has instructed its solicitors to take appropriate steps to the end that the actions will be defended by or on behalf of the holders of such senior notes.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Commodore Sales Acceptance Limited:

We have examined the Statement of Deficiency in Net Assets of Commodore Sales Acceptance Limited - In Receivership as at December 31, 1965 (Exhibit 1), the Reconciliation of Net Assets of the Company as at December 31, 1964 with the Deficiency in Net Assets as at December 31, 1965 (Exhibit 2), the Statement of Profit and Loss for the period from January 1 to June 17, 1965 (Exhibit 3), and the Statement of Income and Expenses for the period from June 18 to December 31, 1965 (Exhibit 4). Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the Statement of Deficiency in Net Assets the company's property and assets, except for a short-term note of Atlantic Acceptance Corporation Limited in the amount of \$750,000 which was pledged as security for a bank loan, were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets in the hands of the Receiver and Manager are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

A provision of \$26,948,006 has been made as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the Statement of Deficiency in Net Assets).

Subject to the comments in the preceding paragraph and except that no provision has been made for the fees and expenses of the Receiver and Manager (Note 4 to the Statement of Deficiency in Net Assets), in our opinion the Statement of Deficiency in Net Assets presents fairly the net assets of the company in the hands of the Receiver and Manager as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a

position to express an opinion on the operations of the company as set out in the Statement of Profit and Loss for the period from January 1 to June 17, 1965 (Exhibit 3). However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in Exhibit 2, and consider them necessary to reduce the book values of the net assets as at June 17, 1965 to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes and accounts receivable as referred to earlier in this report.

Except that no provision has been made for the fees and expenses of the Receiver and Manager, in our opinion the Statement of Income and Expenses for the period from June 18 to December 31, 1965 (Exhibit 4) presents fairly the income and expenses for that period arising from the assets taken over by the Receiver and Manager.

Price Waterhouse & Co.

Chartered Accountants.

COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS

AS AT DECEMBER 31, 1965

(See Note 1 for basis of preparation of statement)

Assets in the hands of the Receiver and Manager:

Cash		\$	9,896
Notes and accounts receivable (Note 2)-			
Interest-bearing loans, including accrued interest	\$33,340,991		
Less- Estimated allowance for possible loss	<u>26,948,006</u>		
			6,392,985
Income taxes recoverable			130,000
Investment in shares of Commodore Factors Limited, at cost less amount written off (Note 3)			1
Fixed assets, at estimated realizable value			<u>1,088</u>
Estimated realizable value of assets in the hands of the Receiver and Manager available for creditors as of June 17, 1965, before provision for the fees and expenses of the Receiver and Manager (Note 4)			6,533,970
Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1)			<u>34,590,151</u>
Deficiency in net assets			<u><u>\$28,056,181</u></u>

(The accompanying notes are an integral part of this statement.)

COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

RECONCILIATION OF NET ASSETS OF THE COMPANY AS AT DECEMBER 31, 1964
WITH THE DEFICIENCY IN NET ASSETS AS AT DECEMBER 31, 1965

Net assets of the company as at December 31, 1964, as shown by the audited financial statements, represented by capital stock of \$33,650 and retained earnings of \$109,852		\$ 143,502
Add- Profit for the period from January 1 to June 17, 1965, the date when Atlantic Acceptance Corporation Limited went into receivership, as shown by the unaudited financial statements after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date (Exhibit 3)		<u>186,338</u>
Net assets of the company as at June 17, 1965, based on book values		329,840
Deduct:		
Loss arising when one of the company's assets, a short-term note of Atlantic Acceptance Corporation Limited having a book value of \$750,000, was seized by the bank in partial satisfaction of their loan of \$614,001	\$ 135,999	
Adjustments to reduce the book values of the net assets of the company as at June 17, 1965 to their estimated realizable values:		
Write-down of investment in Commodore Factors Limited (Note 3)	9,999	
Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	1,266,395	
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	26,948,006	
Prepaid expenses written off	7,435	
Write-down of fixed assets to estimated realizable value	1,186	
Adjustment in liabilities recorded at June 17, 1965	2,200	
Income taxes for the year ended December 31, 1964 recoverable as a result of loss in 1965	(123,982)	
Excess of expenses over income for the period from June 18 to December 31, 1965 (Exhibit 4)	<u>138,783</u>	
		<u>28,386,021</u>
Deficiency in net assets as at December 31, 1965		<u>\$28,056,181</u>

(The accompanying notes are an integral part of this statement.)

COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF PROFIT AND LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$1,433,835
Operating expenses:		
Administrative-		
Advertising	\$ 323	
Bank charges, including interest	14,758	
Depreciation	198	
Employee benefits	437	
Financial advisory fees	10,278	
Insurance	1,235	
Legal and audit	3,939	
Management fees to Atlantic Acceptance Corporation Limited	46,389	
Miscellaneous	512	
Printing, stationery and office supplies	1,539	
Provision for possible loss on notes and accounts receivable	170,000	
Rent	1,560	
Salaries	13,176	
Telephone and telegraph	906	
Travel expenses	<u>1,525</u>	
		<u>266,775</u>
Excess of operating income over operating expenses before interest charged by Atlantic Acceptance Corporation Limited		1,167,060
Interest on advances from Atlantic Acceptance Corporation Limited		<u>980,722</u>
Profit for the period, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date		<u><u>\$ 186,338</u></u>

(The accompanying notes are an integral part of this statement.)

COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF INCOME AND EXPENSES
 FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
 ARISING FROM THE ASSETS TAKEN OVER BY THE RECEIVER AND MANAGER

Interest income		\$ 22,984
Administrative expenses:		
Advertising	\$ 67	
Bank charges, including interest	3,067	
Capital and place of business taxes	447	
Employee benefits	478	
Financial advisory fees	2,529	
Insurance	2,794	
Legal and audit	19,036	
Miscellaneous	(160)	
Printing, stationery and office supplies	1,318	
Rent	1,560	
Salaries	19,396	
Telephone and telegraph	1,215	
Travel expenses	<u>1,405</u>	
		<u>53,152</u>
Excess of expenses over income before interest charged by Atlantic Acceptance Corporation Limited		30,168
Interest on advances from Atlantic Acceptance Corporation Limited (Note 5)		<u>108,615</u>
Excess of expenses over income for the period		<u><u>\$138,783</u></u>

(The accompanying notes are an integral part of this statement.)

COMMODORE SALES ACCEPTANCE LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

1. Basis of preparation of statement:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Commodore Sales Acceptance Limited, at that time a wholly-owned subsidiary, whose property and assets, except for a short-term note of Atlantic Acceptance in the amount of \$750,000 which was pledged as security for a bank loan, were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Sales in the hands of the Receiver and Manager as at December 31, 1965, which are stated in the accompanying Statement of Deficiency in Net Assets at their estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation Montreal Trust Company was appointed Receiver and Manager of Commodore Sales on July 29, 1965 under an order issued by the Supreme Court of Ontario.

There is attached as Exhibit 2 a Reconciliation of Net Assets of the company as at December 31, 1964, as shown by the audited financial statements, with the deficiency in net assets as at December 31, 1965. There are also attached, as Exhibits 3 and 4 respectively, a Statement of Profit and Loss showing the results of the operations of the company for the period from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965, and a Statement of Income and Expenses for the period from June 18 to December 31, 1965 arising from the assets taken over by the Receiver and Manager.

2. Notes and accounts receivable:

Some of the receivables are represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes and accounts as quickly as is practical in the circumstances.

A provision of \$26,948,006 has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Investment in shares of Commodore Factors Limited:

The cost of the shares of Commodore Factors, which was a wholly-owned subsidiary company of Commodore Sales incorporated under the laws of the State of New York, U.S.A., has been written down to a nominal value of \$1. The property and assets of the subsidiary company are being liquidated in satisfaction of the charge thereon given as security for the senior debt of Atlantic Acceptance.

4. Fees and expenses of the Receiver and Manager:

No provision has been made for the fees and expenses of the Receiver and Manager which are subject to Court approval.

5. Interest on advances from Atlantic Acceptance Corporation Limited:

For purposes of this statement, interest has been accrued on advances from Atlantic Acceptance only to July 29, 1965, the date the company was placed in receivership.

PRICE WATERHOUSE & Co.

55 YONGE STREET

TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

Provision of \$1,675,000 and \$95,948 respectively has been made as an estimated allowance for possible loss on the collection of the instalment notes and accounts receivable and for possible loss on the notes and accounts sold with full recourse to Standard Discount Corporation Limited. These allowances may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the fees and expenses of the Receiver and Manager (Note 3 to the financial statements), in our opinion the Statement of Deficiency in Net Assets presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Loss and Deficit for the period from

January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the instalment notes and accounts receivable as referred to earlier in this report.

Except that no provision has been made for the fees and expenses of the Receiver and Manager, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager.

Price Waterhouse & Co.

Chartered Accountants.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

Assets under the control of the Receiver and Manager:		
Cash		\$ 141,986
Instalment notes and accounts receivable (Note 2):		
Instalment contracts, less unearned interest		
of \$21,724	\$1,887,034	
Less- Estimated allowance for possible loss	<u>1,675,000</u>	
		212,034
Income taxes recoverable		65,501
Receivable from Standard Discount Corporation Limited		
(an associated company) arising from the sale of		
notes and accounts receivable with full recourse,		
less estimated allowance of \$95,948 for possible		
loss on collection of the notes and accounts		792,865
Prepaid expenses, at estimated realizable value		4,001
Fixed assets, at nominal value		<u>1</u>
		1,216,388
Deduct- Liabilities of the Receiver and Manager:		
Accounts payable and accrued liabilities	14,828	
Amounts due to dealers when related instalment		
notes and accounts receivable are collected (Note 4)	<u>53,656</u>	
		<u>68,484</u>
Estimated realizable value of net assets under		
the control of the Receiver and Manager		
available for creditors as of June 17, 1965		
before provision for the fees and expenses		
of the Receiver and Manager (Note 3)		1,147,904
Deduct- Advances from Atlantic Acceptance Corporation		
Limited (Note 1)		<u>3,042,764</u>
Deficiency in net assets		<u>\$1,894,860</u>
Represented by:		
Capital stock		\$ 185,618
Deficit-		
As at June 17, 1965, as adjusted to December 31,		
1965 (Exhibit 2)		\$1,908,021
For the period from June 18 to December 31, 1965,		
represented by the loss for the period (Exhibit 4)		<u>172,457</u>
		<u>(2,080,478)</u>
		<u>\$1,894,860</u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, WITH SUBSEQUENT ADJUSTMENTS
DURING THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
RELATING TO THE ASSETS AND LIABILITIES AT JUNE 17, 1965

Retained earnings at December 31, 1964, as shown by the audited financial statements		\$ 257,842
Deduct- Dividend paid		<u>254,253</u>
		3,589
Deduct:		
Loss for the period from January 1 to June 17, 1965 (Exhibit 3)	\$1,627,481	
Goodwill written off	65,000	
Write-down of office equipment	<u>12,871</u>	
		<u>1,705,352</u>
Deficit, as shown by the unaudited financial statements at June 17, 1965		1,701,763
Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:		
Notes and accounts receivable at June 17, 1965 written off as uncollectible (including unexplained differences of \$106,530 in the notes and accounts receivable records)	209,437	
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	<u>1,675,000</u>	
	1,884,437	
Less- Allowance for possible loss shown in the unaudited financial statements at June 17, 1965	<u>1,696,042</u>	
	188,395	
Write-down of fixed assets to nominal value	7,613	
Adjustment in liabilities recorded at June 17, 1965	<u>10,250</u>	
		<u>206,258</u>
Deficit at June 17, 1965, as adjusted to December 31, 1965		<u><u>\$1,908,021</u></u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
 WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$ 190,540
Operating expenses:		
Administrative-		
Bank charges	\$	645
Capital and place of business taxes		2,359
Collection expenses		10,058
Credit information		283
Creditors' life insurance		(227)
Depreciation		2,169
Discounts to dealers		(23)
Employee benefits		2,927
Insurance		1,516
Legal and audit		4,578
Miscellaneous		2,324
Notary, filing and recording fees		19
Occupancy		1,399
Office equipment rentals		108
Postage		1,176
Printing and stationery		832
Provision for possible loss on notes and accounts receivable		1,597,521
Rent		19,091
Salaries		67,898
Telephone and telegraph		6,801
Travel and automobile expenses		<u>1,289</u>
		<u>1,722,743</u>
Excess of operating expenses over operating income before interest charges		1,532,203
Interest on advances from Atlantic Acceptance Corporation Limited		<u>95,278</u>
Loss for the period, as shown by the unaudited financial statements at June 17, 1965		<u><u>\$1,627,481</u></u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS

FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
THE CONTROL OF THE RECEIVER AND MANAGER

Operating income:		
Interest		\$ 14,154
Interest on receivable from Standard Discount Corporation Limited		<u>30,000</u>
		44,154
Operating expenses:		
Administrative-		
Advertising	\$ 56	
Bank charges	90	
Capital and place of business taxes	374	
Collection expenses	4,429	
Credit information	127	
Creditors' life insurance	445	
Discounts to dealers, including \$95,948 on sale of notes and accounts receivable to Standard Discount Corporation Limited	96,457	
Employee benefits	272	
Insurance	469	
Legal and audit	1,000	
Management and consulting fees to G.A.C. International Acceptance Corporation Limited	6,486	
Miscellaneous	905	
Occupancy	921	
Office equipment rentals	5	
Office maintenance	279	
Postage	713	
Printing and stationery	1,336	
Rent	6,315	
Salaries	10,984	
Telephone and telegraph	2,567	
Travel and automobile expenses	<u>3,474</u>	
		<u>137,704</u>
Excess of operating expenses over operating income before interest charges		93,550
Interest on advances from Atlantic Acceptance Corporation Limited		<u>78,907</u>
Loss for the period		<u><u>\$172,457</u></u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

In order to reconcile the retained earnings shown in the accounts of Premier Finance as at December 31, 1964 with the deficit shown by the Statement of Deficiency in Net Assets as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

2. Instalment notes and accounts receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper. During 1965 the company sold approximately \$2,075,000 of its receivables to Atlantic Acceptance Corporation Limited and Standard Discount Corporation Limited. Every effort is being made to collect the remainder of the outstanding receivables as they fall due and in addition, arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves

Provision of \$1,675,000 and \$95,948 respectively has been made in the Statement of Deficiency in Net Assets as an estimated allowance for possible loss on the collection of the notes and accounts receivable and for possible loss on the notes and accounts sold with full recourse to Standard Discount Corporation. These allowances may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Fees and expenses of the Receiver and Manager:

No provision has been made in the Statement of Deficiency in Net Assets for the fees and expenses of the Receiver and Manager which are subject to Court approval.

4. Amounts due to dealers:

It is anticipated that the amount due to dealers may be required to provide for losses on the related receivables.

PRICE WATERHOUSE & Co.

55 YONGE STREET

TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$3,399,879 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from

January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Price Waterhouse & Co.

Chartered Accountants.

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

ASSETS

Cash		\$ 7,124
Notes receivable (Note 2)-		
Interest-bearing loans, including accrued interest	\$4,350,239	
Less- Estimated allowance for possible loss	<u>3,399,879</u>	950,360
Income taxes recoverable		<u>13,500</u>
		<u>\$ 970,984</u>

LIABILITIES

Accrued liabilities (Note 3)		\$ -
Advances from Atlantic Acceptance Corporation Limited (Note 1)		4,146,608
Capital stock and deficit:		
Capital stock-		
Authorized-		
20,500 7% cumulative redeemable preference shares with a par value of \$10 each		
25,000 common shares of no par value		
Issued and fully paid-		
17,000 preference shares	\$ 170,000	
10,103 common shares	<u>10,103</u>	180,103
Deficit-		
As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	\$3,242,835	
For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4)	<u>112,892</u>	<u>3,355,727</u>
		<u>(3,175,624)</u>
		<u>\$ 970,984</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AT JUNE 17, 1965

Retained earnings at December 31, 1964, as shown by the audited financial statements	\$ 38,557
Add- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)	<u>11,868</u>
Retained earnings, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date	50,425
Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:	
Estimated provision for possible loss on collection of notes receivable at June 17, 1965	\$3,399,879
Less- Allowance for possible loss recorded at that date, including recoveries (net) on accounts written off as uncollectible	<u>94,691</u>
	3,305,188
Adjustment in liabilities recorded at June 17, 1965	380
Income taxes for the year ended December 31, 1964 recoverable as a result of the loss in 1965	<u>(12,308)</u>
	<u>3,293,260</u>
Deficit as at June 17, 1965, as adjusted to December 31, 1965	<u><u>\$3,242,835</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$143,937
Operating expenses:		
Administrative-		
Capital and place of business taxes	\$ (136)	
Foreign exchange	2,875	
Legal and audit	3,021	
Miscellaneous	76	
Provision for possible loss on notes and accounts receivable	<u>6,374</u>	
		<u>12,210</u>
Excess of operating income over operating expenses before interest charges		131,727
Interest on advances from the parent company		<u>119,859</u>
Profit for the period, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date		<u>\$ 11,868</u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF
THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Operating income:		
Interest		\$ 28,278
Operating expenses:		
Administrative-		
Capital and place of business taxes	\$ 245	
Foreign exchange	(2,875)	
Miscellaneous	<u>464</u>	
		<u>(2,166)</u>
Excess of operating income over operating expenses before interest charges		30,444
Interest on advances from parent company		<u>143,336</u>
Loss for the period		<u><u>\$112,892</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Adelaide Acceptance as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

In the attached statements, all balances are stated in Canadian dollars, with translations into Canadian dollars at the rate of exchange as at December 31, 1965.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

A provision of \$3,399,879 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Fees and expenses of the Receiver and Manager
of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Adelaide Acceptance.

PRICE WATERHOUSE & Co.

55 YONGE STREET

TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Profit and Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$135,000 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of the parent company, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the mortgages receivable to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated allowance for possible loss on collection of the mortgages as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Profit and Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations were under the control of the Receiver and Manager of the parent company.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

ASSETS

Cash		\$ 1,194
Mortgages receivable, including accrued interest (Note 2)	\$243,780	
Less- Estimated allowance for possible loss	<u>135,000</u>	
		108,780
Miscellaneous accounts receivable		<u>625</u>
		<u><u>\$110,599</u></u>

LIABILITIES

Accounts payable and accrued liabilities (Note 3)		\$ 466
Advances from Atlantic Acceptance Corporation Limited		<u>251,706</u>
		252,172
Capital stock and deficit:		
Capital stock-		
Authorized- 40,000 shares without par value		
Issued and fully paid- 3 shares		\$ 3
Deficit-		
As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	\$142,521	
For the period from June 18 to December 31, 1965, represented by the profit for the period (Exhibit 4)	<u>(945)</u>	
		<u>141,576</u>
		<u>(141,573)</u>
		<u><u>\$110,599</u></u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AT JUNE 17, 1965

Deficit at December 31, 1964, as shown by the audited financial statements	\$ 3,286
Deduct- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)	<u>3,091</u>
Deficit, as shown by the unaudited financial statements at June 17, 1965	195
Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:	
Accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	\$ 10,826
Estimated provision for possible loss on collection of remainder of mortgages receivable	<u>131,500</u>
	<u>142,326</u>
Deficit at June 17, 1965, as adjusted to December 31, 1965	<u><u>\$142,521</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Operating income:	
Interest	\$12,122
Operating expenses:	
Administrative-	
Audit fees	\$150
Capital and place of business taxes	89
Miscellaneous	35
	<u>274</u>
Excess of operating income over operating expenses before interest charges	11,848
Interest on advances from parent company	<u>8,757</u>
Profit for the period, as shown by the unaudited financial statements at June 17, 1965	<u><u>\$ 3,091</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF THE PARENT COMPANY

Operating income:		
Interest		\$14,460
Operating expenses:		
Administrative-		
Audit fees	\$ 300	
Capital and place of business taxes	16	
Management fees to G.A.C. International		
Acceptance Corporation Limited	25	
Miscellaneous	2	
Provision for possible loss on collection		
of interest income for the period	<u>3,500</u>	
		<u>3,843</u>
Excess of operating income over		
operating expenses before		
interest charges		10,617
Interest on advances from parent company		<u>9,672</u>
Profit for the period		<u><u>\$ 945</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary. The assets of Atlantic Acceptance (Toronto) are stated in the Balance Sheet at estimated realizable values.

In order to reconcile the deficit shown in the accounts of Atlantic Acceptance (Toronto) as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Profit and Loss shown on Exhibit 4.

2. Mortgages receivable:

No mortgages have been acquired since June 17, 1965 and except for one mortgage, the balance of which falls due on December 31, 1966, the present mortgages are repayable in monthly instalments over periods up to 1972. Every effort is being made to collect the outstanding mortgages as they fall due and in addition arrangements have been made for the sale of any or all of the mortgages under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$135,000 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Fees and expenses of the Receiver and Manager
of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Atlantic Acceptance (Toronto).

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Finance Corporation Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$3,800,000 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an

opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC FINANCE CORPORATION LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

ASSETS

Cash		\$ 832,745
Notes receivable (Note 2)-		
Loans under the Small Loans Act, including accrued interest	\$18,334,247	
Other loans, less unearned interest of \$3,295,893	<u>12,990,830</u> 31,325,077	
Less- Estimated allowance for possible loss	<u>3,800,000</u>	27,525,077
Miscellaneous accounts receivable and income taxes recoverable		354,738
Prepaid expenses, at estimated realizable value		8,248
Furniture and fixtures, at estimated realizable value		<u>18,128</u>
		<u>\$28,738,936</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 3)		\$ 724,337
Amounts due to dealers when related notes receivable are collected		44,208
Advances from Atlantic Acceptance Corporation Limited (Note 1)		<u>32,491,631</u>
		33,260,176
Capital stock and deficit:		
Capital stock-		
Authorized- 2,500 shares with a par value of \$100 each		
Issued and fully paid- 1,000 shares	\$ 100,000	
Deficit-		
As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	\$4,588,387	
For the period from June 18 to December 31, 1965, represented by the loss for the period (Exhibit 4)	<u>32,853</u>	
		<u>4,621,240</u>
		<u>(4,521,240)</u>
		<u>\$28,738,936</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC FINANCE CORPORATION LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AS AT JUNE 17, 1965

Retained earnings at December 31, 1964 as shown by the audited financial statements		\$ 228,746
Add- Net profit for the period from January 1 to June 17, 1965 (Exhibit 3)		<u>247,282</u>
Retained earnings, as shown by the unaudited financial statements at June 17, 1965		476,028
Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:		
Notes and accounts receivable at June 17, 1965 written off as uncollectible	\$ 340,409	
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	<u>3,621,900</u>	
	3,962,309	
Less- Allowance for possible loss shown in the unaudited financial statements at June 17, 1965	<u>492,490</u>	
	3,469,819	
Increase in unearned interest at June 17, 1965 (Note 4)	1,355,210	
Deferred charges written off-		
Unamortized cost of developing new branches	374,916	
Prepaid expenses	144,429	
Leasehold improvements, less accumulated depreciation	15,519	
Write down of fixed assets to estimated realizable value	43,955	
Adjustments in liabilities recorded at June 17, 1965	77,131	
Provision for income taxes recorded in the period from January 1 to June 17, 1965 not now required and income taxes for the year ended December 31, 1964 recoverable, both as a result of the loss in 1965	(371,964)	
Amount received in excess of estimated amount of miscellaneous account receivable recorded at June 17, 1965	<u>(44,600)</u>	
		<u>5,064,415</u>
Deficit as at June 17, 1965 as adjusted to December 31, 1965		\$4,588,387

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC FINANCE CORPORATION LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$2,934,565
Operating expenses:		
Administrative-		
Advertising	\$ 54,359	
Amortization of cost of developing new branches	67,217	
Bank charges	24,629	
Collection	7,044	
Credit information	19,074	
Creditors' life insurance	10,020	
Depreciation	7,215	
Discounts granted dealers	39,957	
Employee benefits	17,297	
Insurance	6,780	
Legal and audit	9,080	
Miscellaneous	13,385	
Notary, filing and recording fees	27,806	
Occupancy	16,547	
Office equipment rentals	72,816	
Office maintenance	30,330	
Postage	14,803	
Printing, stationery and office supplies	80,880	
Provision for possible loss on notes and accounts receivable	269,340	
Rent	105,562	
Salaries	635,187	
Telephone and telegraph	93,701	
Travel and automobile expenses	<u>123,977</u>	
	1,747,006	
Less- Portion of expenses relating to the development of new branches deferred for write-off against future earnings	<u>128,671</u>	
		<u>1,618,335</u>
Excess of operating income over operating expenses before interest charges		1,316,230
Interest on advances from parent company		<u>871,093</u>
Profit before provision for income taxes		445,137
Provision for income taxes		<u>197,855</u>
Net profit for the period, as shown by the unaudited financial statements at June 17, 1965		<u>\$ 247,282</u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC FINANCE CORPORATION LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF THE PARENT COMPANY

Operating income:		
Interest (Note 4)		\$3,028,565
Operating expenses:		
Administrative-		
Advertising	\$ 26,178	
Bank charges	22,853	
Capital and place of business taxes	9,557	
Collection expense	12,004	
Credit information	13,217	
Creditors' life insurance	13,771	
Depreciation	9,228	
Discounts granted dealers	54,008	
Employee benefits	16,409	
Insurance	8,736	
Legal and audit	7,720	
Management and consulting fees to G.A.C.		
International Finance Corporation Limited	71,030	
Miscellaneous	13,272	
Notary, filing and recording fees	21,947	
Occupancy	32,888	
Office equipment rentals	91,971	
Office maintenance	37,124	
Postage	23,195	
Printing, stationery and office supplies	45,484	
Provision for possible loss on loans made during the period	178,100	
Rent	146,810	
Salaries	810,691	
Telephone and telegraph	120,092	
Travel and automobile expenses	<u>133,837</u>	
		<u>1,920,122</u>
Excess of operating income over operating expenses before interest charges		1,108,443
Interest on advances from parent company		<u>1,141,296</u>
Loss for the period		<u>\$ 32,853</u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC FINANCE CORPORATION LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Atlantic Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Atlantic Finance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Atlantic Finance as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

2. Notes receivable:

The receivables are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper. The loans are generally payable over periods of up to three years. Every effort is being made to collect the outstanding notes as they fall due and in addition arrangements have been made for the sale of any or all of the notes, including the security therefor, under an agreement dated July 21, 1965 (and which became effective in April, 1966) with G.A.C. International Acceptance Corporation Limited and G.A.C. International Finance Corporation Limited. Under the terms of the agreement, the receivables will be sold for a net cash amount equal to the unpaid balances thereof less unearned interest and applicable liabilities and reserves.

A provision of \$3,800,000 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Fees and expenses of the Receiver and Manager
of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Atlantic Finance.

4. Method of taking up income from loans other
than those made under the Small Loans Act:

Up to June 17, 1965 it was the practice of the company to take into income in the month of acquisition of receivables 40% of the unearned interest included in the contract and to take the balance into income over the life of the contract using the Sum of the Months Digits Method (sometimes referred to as the "Rule of 78ths"). The unearned interest included in the accounts at June 17, 1965 has been restated on the basis that all of the unearned interest originally included in a receivable is taken up on the Sum of the Months Digits Method. Also income from all new business written after June 17, 1965 has been taken up on the same basis. While this change in the method of taking up income has had a significant effect on the accounts of the company, no estimate has been made of its effect on income of past periods or of future periods.

The basis of providing for unearned interest at December 31, 1965 approximates that which will be used in computing the sale price of accounts being sold under the agreement of July 21, 1965 as referred to in Note 2.

PRICE WATERHOUSE & CO.

55 YONGE STREET

TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager,
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Commodore Sales Acceptance Limited for the benefit of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Profit and Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of the available accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets are charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

A provision of \$4,739,104 has been made as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph and except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 3 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make to the accounts at June 17, 1965, at which time the operations came under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Profit and Loss and Deficit for the period from

January 1 to June 17, 1965. However, we have reviewed the adjustments made by the Receiver and Manager to the accounts as at June 17, 1965, as set out in the Statement of Deficit, and consider them necessary to reduce the net assets to their estimated realizable value at December 31, 1965, subject to the uncertainties in determining the estimated realizable value of the notes receivable as referred to earlier in this report.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Loss for the period from June 18 to December 31, 1965 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited.

Price Waterhouse & Co.

Chartered Accountants.

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1965
(stated in United States dollars)

ASSETS

Cash		\$	4,101
Notes receivable (Note 2):			
Interest bearing loans, including			
accrued interest	\$5,716,430		
Less- Estimated allowance for possible loss	<u>4,739,104</u>		
			977,326
Office furniture, at nominal value			<u>1</u>
		\$	<u>981,428</u>

LIABILITIES

Accounts payable and accrued liabilities (Note 3)		\$	36,180
Advances from Atlantic Acceptance Corporation			
Limited (Canadian \$7,923,818) (Note 1)			<u>7,370,983</u>
			7,407,163
Capital stock and deficit:			
Capital stock-			
Authorized- 200 shares without par value			
Issued- 100 shares	\$	10,000	
Deficit-			
As at June 17, 1965, as adjusted to			
December 31, 1965 (Exhibit 2)	\$6,164,101		
For the period from June 18 to			
December 31, 1965, represented by			
the loss for the period (Exhibit 4)	<u>271,634</u>		
			<u>6,435,735</u>
			(6,425,735)
		\$	<u>981,428</u>

APPROVED ON BEHALF OF THE BOARD:

Director_____
Director

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP,
 WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965
 RELATING TO THE ASSETS AND LIABILITIES AS AT JUNE 17, 1965
 (stated in United States dollars)

Retained earnings at December 31, 1964, as shown by the audited financial statements	\$ 281,662
Add- Profit for the period from January 1 to June 17, 1965 (Exhibit 3)	<u>107,835</u>
Retained earnings, as shown by the unaudited financial statements at June 17, 1965	389,497
Deduct- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:	
Notes receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	\$2,007,766
Estimated provision for possible loss on collection of remainder of notes receivable at June 17, 1965	4,739,104
Write down of fixed assets to nominal value	832
Adjustment in liabilities recorded at June 17, 1965	25,000
Adjustment of income taxes, primarily applicable to unrealized gains on foreign exchange, as a result of loss in 1965	<u>(219,104)</u>
	<u>6,553,598</u>
Deficit at June 17, 1965, as adjusted to December 31, 1965	<u>\$6,164,101</u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF PROFIT AND LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED WENT INTO RECEIVERSHIP
 (stated in United States dollars)

Operating income:		
Interest		\$370,057
Gain in foreign exchange		<u>23,599</u>
		393,656
Operating expenses:		
Administrative-		
Advertising	\$ 26	
Bank charges	845	
Business taxes	12,393	
Depreciation	36	
Legal and audit	1,500	
Miscellaneous	17	
Printing, stationery and office supplies	23	
Telephone and telegraph	199	
Travel expenses	<u>1,367</u>	
		<u>16,406</u>
Excess of operating income over operating expenses before interest charges		377,250
Interest on advances from Atlantic Acceptance Corporation Limited		<u>269,415</u>
Profit for the period, as shown by the unaudited financial statements as at June 17, 1965		<u><u>\$107,835</u></u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED
(stated in United States dollars)

Operating income:		
Interest		\$ 23,475
Gain in foreign exchange		<u>11,318</u>
		34,793
Operating expenses:		
Administrative-		
Advertising	\$ 32	
Bank charges, including interest	9,704	
Business taxes	39	
Legal and audit	1,111	
Miscellaneous	<u>(190)</u>	
		<u>10,696</u>
Excess of operating income over operating expenses before interest charges		24,097
Interest on advances from Atlantic Acceptance Corporation Limited		<u>295,731</u>
Loss for the period		<u><u>\$271,634</u></u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Commodore Factors Limited, whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In order to reconcile the retained earnings shown in the accounts of Commodore Factors as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Profit and Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustments to the accounts as at June 17, 1965 to write down the net assets at that date to their estimated realizable values are shown in the Statement of Deficit (Exhibit 2).

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

A provision of \$4,739,104 has been made in the Balance Sheet as an estimated allowance for possible loss on the collection of the notes receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

3. Fees and expenses of the Receiver and Manager
of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Commodore Factors.

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, the Statements of Loss and Deficit for the period from January 1 to June 17, 1965, and the Statement of Loss for the period from June 18 to December 31, 1965. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet and Statements of Loss and Deficit present fairly the financial position of the company as at December 31, 1965 and its income and expenses for the year ended on that date, in accordance with generally accepted accounting principles.

Price Waterhouse & Co.

Chartered Accountants.

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

ASSETS

\$Nil

LIABILITIES

Accrued liabilities (Note 2) \$ 50

Advances from Atlantic Acceptance
Corporation Limited (Note 1) 799
849

Capital stock and deficit:

Capital stock-

Authorized- 100,000 shares without
par value

Issued and fully paid- 3 shares \$ 3

Deficit-

As at June 17, 1965 (no change to
December 31, 1965) (Exhibit 2) \$774

For the period from June 18 to December
31, 1965, represented by the loss for
the period (Exhibit 4) 78

852

(849)

\$Nil

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

(The accompanying notes are an integral part of the financial statements.)

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Deficit at December 31, 1964, as shown by the audited financial statements	\$724
Add- Loss for the period from January 1 to June 17, 1965 (Exhibit 3)	<u>50</u>
Deficit, as shown by the unaudited financial statements at June 17, 1965 after taking into account an adjustment made in preparing consolidated unaudited financial statements at that date	<u>\$774</u>

(The accompanying notes are an integral part of the financial statements.)

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Operating expenses:

Administrative-

Capital and place of business taxes

\$20

Miscellaneous

10

Total operating expenses before interest charges

30

Interest on advances from parent company

20

Loss for the period, as shown by the unaudited
financial statements at June 17, 1965 after
taking into account an adjustment made in
preparing consolidated unaudited financial
statements at that date

\$50

(The accompanying notes are an integral part of the financial statements.)

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF THE PARENT COMPANY

Operating expenses:	
Administrative-	
Audit fees	\$50
Interest on advances from parent company	<u>28</u>
Loss for the period	<u>\$78</u>

(The accompanying notes are an integral part of the financial statements.)

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Concourse Agencies Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company.

In order to reconcile the deficit shown in the accounts of Concourse Agencies as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibits 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965.

The results of the operations carried out under the direction of the Receiver and Manager are set out in the Statement of Loss shown on Exhibit 4.

2. Fees and expenses of the Receiver and Manager of
Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Concourse Agencies.

PRICE WATERHOUSE & CO.

55 YONGE STREET
TORONTO 1

June 7, 1966.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1965, in which is incorporated a Statement of Expenses for the period from June 18 to December 31, 1965, and the Statements of Loss and Deficit for the period from January 1 to June 17, 1965. Our examination included a general review of the accounting procedures and such tests of available accounting records and other supporting evidence as we considered necessary in the circumstances.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company (Note 2 to the financial statements), in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1965.

Because the affairs of the companies in the Atlantic group for the period prior to the receivership of Atlantic Acceptance Corporation Limited on June 17, 1965 are the subject of investigation by a Royal Commission and because of the substantial adjustments which it was found necessary to make during the period from January 1 to June 17, 1965, at which time the operations came under the control of the Receiver and Manager of the parent company, we are not in a position to express an opinion on the operations of the company as set out in the Statements of Loss and Deficit for the period from January 1 to June 17, 1965.

Except that no provision has been made for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance Corporation Limited that may be charged to the company, in our opinion the Statement of Expenses for the period from June 18 to December 31, 1965 which is incorporated in the Balance Sheet presents fairly the expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of the parent company.

Price Waterhouse & Co.

Chartered Accountants.

PAY AS YOU STUDY PLAN LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1965

ASSETS

Cash	\$ 1,301
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LIABILITIES

Accrued liabilities (Note 2)	\$ -
------------------------------	------

Advances from Atlantic Acceptance Corporation Limited (Note 1)	30,840
--	--------

Capital stock and deficit:

Capital stock-

Authorized-

1,800 6% non-cumulative redeemable
preference shares with a par value
of \$100 each

20,000 common shares without par value

Issued and fully paid-

3 common shares	\$ 3
-----------------	------

Deficit-

As at June 17, 1965, as adjusted to December 31, 1965 (Exhibit 2)	\$28,482
--	----------

For the period from June 18 to
December 31, 1965, represented by
interest on advances from the
parent company

1,060

29,542

(29,539)

\$ 1,301

APPROVED ON BEHALF OF THE BOARD:

Director

Director

(The accompanying notes are an integral part of the financial statements.)

PAY AS YOU STUDY PLAN LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AT JUNE 17, 1965

Deficit at December 31, 1964, as shown by the audited financial statements	\$17,738
Add- Loss for the period from January 1 to June 17, 1965 (Exhibit 3)	<u>10,494</u>
Deficit, as shown by the unaudited financial statements at June 17, 1965 after taking into account adjustments made in preparing consolidated unaudited financial statements at that date	28,232
Add- Adjustment during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:	
Accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	<u>250</u>
Deficit as at June 17, 1965, as adjusted to December 31, 1965	<u><u>\$28,482</u></u>

(The accompanying notes are an integral part of the financial statements.)

PAY AS YOU STUDY PLAN LIMITED
 (a wholly-owned subsidiary of
 Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP

Operating income:		
Interest		\$ 78
Operating expenses:		
Administrative-		
Audit fees	\$ 200	
Miscellaneous	199	
Provision for possible loss		
on accounts receivable	9,289	
		<u>9,688</u>
Excess of operating expenses over		
operating income before interest		
charges		9,610
Interest on advances from parent company		<u>884</u>
Loss for the period, as shown by the unaudited		
financial statements at June 17, 1965 after		
taking into account adjustments made in		
preparing consolidated unaudited financial		
statements at that date		<u><u>\$10,494</u></u>

(The accompanying notes are an integral part of the financial statements.)

PAY AS YOU STUDY PLAN LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1965

1. Basis of preparation of financial statements:

As a result of default under the Senior Note indenture of Atlantic Acceptance Corporation Limited, Montreal Trust Company was appointed Receiver and Manager of Atlantic Acceptance on June 17, 1965 under an order issued by the Supreme Court of Ontario. This order enabled the Receiver and Manager to control the operations of Pay As You Study Plan Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company.

In order to reconcile the deficit shown in the accounts of Pay As You Study Plan as at December 31, 1964 with the deficit shown by the Balance Sheet as at December 31, 1965, there are attached as Exhibit 2 and 3 respectively a Statement of Deficit and a Statement of Loss showing the results of the operations of the company from January 1 to June 17, 1965, as shown by the unaudited financial statements of the company at June 17, 1965. The subsequent adjustment to the accounts as at June 17, 1965 to write off as uncollectible the remainder of the accounts receivable at that date is shown in the Statement of Deficit (Exhibit 2).

Except for the fees and expenses referred to in Note 2, interest on advances from the parent company (which has been charged directly to deficit account in the Balance Sheet) was the only expense incurred during the period from June 18 to December 31, 1965 while the operations were carried out under the direction of the Receiver and Manager.

2. Fees and expenses of the Receiver and Manager
of Atlantic Acceptance Corporation Limited:

No provision has been made in the financial statements for the portion of the fees and expenses of the Receiver and Manager of Atlantic Acceptance (which are subject to Court approval) that may be charged to Pay As You Study Plan.

STONE, CONWAY, ANGER & STONE
CHARTERED ACCOUNTANTS
TORONTO, CANADA

TELEPHONE 481-5201
AREA CODE 416

NATIONAL CASH REGISTER BUILDING
117 EGLINTON AVE. E.

To the Shareholders of
Standard Discount Corporation Limited,
Toronto, Ontario.

Gentlemen:

We report having completed the examination of the accounting records of your company for the fiscal year ended December 31, 1965, from which we have prepared and submit herewith the following:

Statement (1) - Balance Sheet as at December 31, 1965;

Statement (2) - Statement of Retained Earnings
for year ended December 31, 1965;

Statement (3) - Statement of Income and Expenditure
for year ended December 31, 1965.

SCOPE OF EXAMINATION

Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

*

*

*

CURRENT POSITION

For purposes of analysis, we submit the following comparative summary of your company's current position as at December 31 in each year.

	<u>1965</u>	<u>1964</u>	<u>1963</u>
Current assets	\$4,279,516	\$3,061,419	\$2,747,527
Current liabilities (portion)	<u>408,201</u>	<u>486,448</u>	<u>430,171</u>
	3,871,315	2,574,971	2,317,356
Holdbacks and loans, payable on demand	<u>3,318,659</u>	<u>2,008,583</u>	<u>1,789,726</u>
Net Current Assets	\$ 552,656	\$ 566,388	\$ 527,630

SOURCE AND APPLICATION OF FUNDS

The decrease in net current assets of \$13,732 for the year under review results from the following:

Source of working capital:

Net profit before income taxes	\$98,941	
Add: Depreciation allowance	<u>15,850</u>	\$114,791
Sale of fixed assets		525
Increase in deferred income	<u>54,307</u>	\$169,623

Disposition of working capital:

Corporation income taxes	41,402	
Additions to fixed assets	25,258	
Increase in c.s.v. of life insurance	1,380	
Dividends paid	<u>115,315</u>	<u>183,355</u>

NET DECREASE IN WORKING CAPITAL

\$ 13,732

STATEMENT OF INCOME AND EXPENDITURE

For comparative purposes, we submit the following analysis of operations for the years ended December 31:

	<u>1965</u>		<u>1964</u>		<u>1963</u>	
	<u>%</u>		<u>%</u>		<u>%</u>	
CONTRACTS PURCHASED						
Soft goods:						
Regular	\$8,412,483	89.3	\$6,239,385	97.2	\$5,804,758	97.0
Special bulk purchase	959,484	10.2	-	-	-	-
Hard goods	<u>42,896</u>	<u>.5</u>	<u>179,612</u>	<u>2.8</u>	<u>181,067</u>	<u>3.0</u>
TOTAL	9,414,863	100.0	6,418,997	100.0	5,985,825	100.0
FINANCE CHARGES	<u>1,268,970</u>	<u>13.5</u>	<u>871,735</u>	<u>13.6</u>	<u>806,834</u>	<u>13.5</u>
INCOME						
Finance charges earned	1,229,991	95.9	883,287	94.2	789,604	91.6
Bad debts recovered	<u>52,160</u>	<u>4.1</u>	<u>54,333</u>	<u>5.8</u>	<u>72,007</u>	<u>8.4</u>
TOTAL INCOME	<u>1,282,151</u>	<u>100.0</u>	<u>937,620</u>	<u>100.0</u>	<u>861,611</u>	<u>100.0</u>
EXPENDITURE						
Additional charges to written off accounts	10,171	.8	14,345	1.5	16,684	1.9
Bad and doubtful accounts	332,759	26.0	152,818	16.3	111,372	12.9
Office salaries	252,231	19.7	190,184	20.3	184,531	21.4
Interest on loans	188,491	14.7	130,806	14.0	106,257	12.4
Overhead expenses	138,272	10.8	114,518	12.2	93,245	10.8
Income taxes payable	41,402	3.2	43,482	4.6	47,662	5.5
Management salaries	65,436	5.1	58,036	6.2	60,594	7.1
Management fees	180,000	14.0	180,000	19.2	180,000	20.9
Depreciation allowance	<u>15,850</u>	<u>1.2</u>	<u>14,579</u>	<u>1.6</u>	<u>5,075</u>	<u>.6</u>
TOTAL EXPENDITURE	<u>1,224,612</u>	<u>95.5</u>	<u>898,768</u>	<u>95.9</u>	<u>805,420</u>	<u>93.5</u>
NET PROFIT	\$ 57,539	4.5	\$ 38,852	4.1	\$ 56,191	6.5

To the Shareholders of
Standard Discount Corporation Limited

Page 4.

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In our opinion, the accompanying balance sheet and attached related statements of income and expenditure and retained earnings present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the period ended on that date in accordance with generally accepted accounting principles, except for the method of taking up income from instalment accounts receivable as explained in Note (3) to the financial statements, applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying summary of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the company for the year ended December 31, 1965.

Stone, Conway, Anger & Stone

Toronto, March 4, 1966 (as amended on
June 20, 1966 by inclusion of reference
to Note (3) to the financial statements.)

Chartered Accountants.

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

Statement (1)

(A private company incorporated under The Corporations Act of Ontario)

BALANCE SHEET


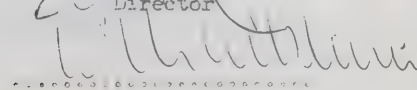
DECEMBER 31, 1965

(With comparative figures for 1964)

ASSETS	1965	1964
Current		
Petty cash fund	\$ 275	\$ 125
Accounts receivable (after deducting allowance for doubtful accounts and holdbacks applicable to recourse accounts-see note 1)	4,261,821	3,042,623
Unexpired insurance	3,493	2,564
Prepaid expenses and supplies on hand	13,927	16,107
	<u>4,279,516</u>	<u>3,061,419</u>
Fixed (at cost)		
Automotive equipment	6,840	6,840
Leasehold improvements	9,949	9,949
Office furniture and equipment	109,895	87,286
	<u>126,684</u>	<u>104,075</u>
Less: Accumulated depreciation	<u>60,619</u>	<u>35,276</u>
Undepreciated capital cost of fixed assets	<u>66,065</u>	<u>68,099</u>
Other		
Goodwill	100,000	100,000
Cash surrender value of life insurance	<u>9,284</u>	<u>7,904</u>
	<u>109,284</u>	<u>107,904</u>
	<u>\$4,454,865</u>	<u>\$3,237,422</u>

LIABILITIES	1965	1964
Current		
Bank overdraft (net)	\$ 326,298	\$ 437,834
Employees' income tax deductions	3,547	9,000
Accounts payable and accrued liabilities	14,822	16,432
Accrued salaries and bonuses	30,665	12,617
Corporation income tax payable	<u>32,869</u>	<u>10,565</u>
	<u>408,201</u>	<u>486,448</u>
Holdbacks:		
Holdback on bulk purchase from Premier Finance Corporation Limited	95,948	-
Deduct: Portion applicable to accounts receivable (see contra and note 1)	<u>95,948</u>	<u>-</u>
Balance	-	-
Dealer holdbacks	25,656	27,261
Deduct: Portion applicable to accounts receivable (see contra and note 1)	<u>18,884</u>	<u>15,492</u>
Balance	<u>6,772</u>	<u>11,769</u>
Loan payable on demand (7%) Premier Finance Corporation Limited	792,865	-
Loan payable on demand (7%) Atlantic Acceptance Corporation Limited	<u>2,519,022</u>	<u>1,996,814</u>
	<u>3,311,887</u>	<u>1,996,814</u>
Deferred Income		
Unearned discounts and service charges	<u>179,229</u>	<u>124,922</u>
SHAREHOLDERS' EQUITY		
Capital Stock		
Authorized: 30,000 Preference shares, par value \$3 each, 3% non-cumulative dividend, non-voting, redeemable at par;		
10,000 Common shares, no par value, the total consideration for the issue of which is not to exceed the sum of \$10,000.		
Issued and fully paid:		
4,000 Preference shares	12,000	12,000
3,000 Common shares	<u>3,000</u>	<u>3,000</u>
	<u>15,000</u>	<u>15,000</u>
Retained Earnings - see statement (2)	<u>533,776</u>	<u>602,469</u>
	<u>\$4,454,865</u>	<u>\$3,237,422</u>
Contingent Liability		
Guarantor on notes payable of Atlantic Acceptance Corporation Limited, secured by a first floating charge on the undertaking, property and assets.		

Approved on behalf of the Board:


 Director

 Director

The accompanying explanatory notes are an integral part of these financial statements.
 (See attached report letter dated March 4, 1966.)

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

STATEMENT OF RETAINED EARNINGS

FOR YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
BALANCE, January 1	\$602,469	\$563,617
Add: Net profit for years ended December 31	<u>57,539</u>	<u>38,852</u>
	660,008	602,469
Less: Dividends paid	\$115,315	-
Additional depreciation-1963	<u>10,917</u>	<u>126,232</u>
		-
BALANCE, December 31	\$533,776	\$602,469
	<u><u> </u></u>	<u><u> </u></u>

The accompanying explanatory notes are an integral part
of these financial statements.

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

Statement (3)

STATEMENT OF INCOME AND EXPENDITURE

FOR YEAR ENDED DECEMBER 31, 1965

(With comparative figures for 1964)

	1965		1964		
INCOME					
Discounts earned - regular	\$1,001,796		\$756,823		
- special bulk purchase (see note 1)	<u>95,948</u>	\$1,097,744	<u>-</u>	\$756,823	
Service charges earned		10,482		18,685	
Extension charges earned		114,911		99,365	
Interest earned		6,854		8,414	
Bad debts recovered	52,160		54,333		
Deduct: Additional charges to written off accounts	<u>10,171</u>	<u>41,989</u>	<u>14,345</u>	<u>39,988</u>	<u>\$923,275</u>
EXPENDITURE					
Advertising and sales promotion		725		1,708	
Allowance for depreciation		15,850		14,579	
Attorneys' fees		3,415		3,111	
Audit fees		6,300		6,300	
Automotive and travelling expenses		1,795		1,249	
Bank interest and charges		4,491		3,926	
Collection expenses		3,137		2,399	
Credit bureau expenses		1,299		1,091	
Employee benefits		6,658		4,708	
Employee pension plan (net)		517		2,688	
General expenses		2,681		1,970	
Insurance		3,367		2,093	
Interest on loans payable		188,491		130,806	
Management and advisory fees		180,000		180,000	
Management salaries		65,436		58,036	
Occupancy expenses		6,693		4,140	
Postage		18,932		16,756	
Printing, stationery and office expenses		27,684		15,624	
Provision for losses on doubtful accounts		332,759		152,818	
Rent (see note 2)		33,823		33,823	
Salaries		252,231		190,184	
Telephone and telegraph		<u>16,755</u>	<u>1,173,039</u>	<u>12,932</u>	<u>840,941</u>
NET PROFIT (before income taxes)			98,941		82,334
Corporation taxes on income			<u>41,402</u>		<u>43,482</u>
NET PROFIT			\$ 57,539		\$ 38,852

The accompanying explanatory notes are an integral part of these financial statements.

STANDARD DISCOUNT CORPORATION LIMITED - TORONTO

EXPLANATORY NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1965

	<u>1965</u>	<u>1964</u>
(1) Accounts receivable - regular	\$4,311,737	\$3,169,139
Deduct:		
Allowance for doubtful accounts	\$193,084	\$111,024
Dealers' holdbacks on recourse accounts applied to above	<u>18,884</u>	<u>15,492</u>
	211,968	126,516
Balance	4,099,769	3,042,623
 Accounts receivable - special bulk purchase (approximate)	 258,000	 -
Deduct:		
Holdback account	<u>95,948</u>	<u>-</u>
Balance (subject to full recourse)	<u>162,052</u>	<u>-</u>
Accounts receivable - net	<u>\$4,261,821</u>	<u>\$3,042,623</u>

During the year 1965, the company purchased from Premier Finance Corporation Limited outstanding receivables amounting to \$959,484 on a full recourse basis. This bulk purchase was made at a discount charge of 10% amounting to \$95,948 and an additional sum of \$95,948 was held back as a reserve for uncollectible accounts.

(2) Under long-term leases in effect to October 31, 1973 at 43 Eglinton Avenue East, the company is obligated to pay annual rentals aggregating \$33,823 for the 9th floor space and annual rentals aggregating \$12,351 for the 10th floor space. As of December 31, 1965 all rentals paid for the 10th floor space have been charged to Premier Finance Corporation Limited.

(3) In most cases, instalment accounts receivable contracts are repayable over a six month period. The discount and service charge from a contract are taken into income in the month following purchase of the contract and accordingly unearned discounts and service charges at December 31, 1965 represents 100% of the December discounts and charges.

If 20% of the income from a contract was taken into income on purchase and the balance over the life of the contract by the "sum-of-the-months digits" method, additional deferred income of approximately \$67,000 would be required at December 31, 1965 of which approximately \$30,000 would be in respect of the year ended on that date.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING FINANCIAL STATEMENTS
DECEMBER 31, 1965

PREFACE

The attached exhibits show in columnar form the accounts included in the combined financial statements of Atlantic Acceptance Corporation Limited - In Receivership as at December 31, 1965 and set out the adjustments and eliminations in preparing those statements.

The exhibits are for illustration purposes only; reference should be made to the accounts of the individual companies and the notes pertaining thereto in considering their financial position and results of operations.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1965

(See Note 1 for basis of preparing combining financial statements)

	Companies in receivership						Commodore Factors Limited (Canadian dollars)	Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	Combined
	Atlantic Acceptance Corporation Limited	Commodore Sales Acceptance Limited	The Premier Finance Corporation Limited	Adelaide Acceptance Limited	Atlantic Acceptance (Toronto) Limited	Atlantic Finance Corporation Limited					
Assets under the control of the Receiver and Manager:											
Cash	\$ 1,991,733	9,896	141,986	7,124	1,194	832,745	4,409	1,301	(326,023)		2,664,365
Bonds and treasury bill of the Government of Canada and deposit receipts of Canadian chartered banks, maturing within one year	14,700,221										14,700,221
Instalment notes and accounts receivable- Instalment contracts, less unearned interest	27,980,576		1,887,034			12,990,830			4,324,008		47,182,448
Interest-bearing loans, including accrued interest	4,078,580	33,340,991		4,350,239	243,780	18,334,247	6,146,237				66,494,074
Estimated allowance for possible loss	(10,000,000)	(26,948,006)	(1,675,000)	(3,399,879)	(135,000)	(3,800,000)	(5,094,537)		(558,704)		(51,611,126)
Miscellaneous accounts receivable and income taxes recoverable	730,882	130,000	65,501	13,500	625	354,738			30,475		1,325,721
Prepaid expenses	75,513		4,001			8,248			26,704		114,466
Investments and advances:											
Wholly-owned subsidiary companies-											
Shares	80,000	1								(80,001) (a)	
Advances	32,588,998									(32,588,998) (a)	
Lucayan Beach Hotel and Development Limited-											
Shares and debentures	3,615,154										3,615,154
Advances, including accrued interest	1,630,378										1,630,378
Shares of Great Northern Capital Corporation Limited	700,000										700,000
Estimated equity in assets held by Receiver and Manager arising from receivership of Commodore Sales Acceptance Limited and The Premier Finance Corporation Limited	7,681,873									(7,681,873) (a)	
Fixed Assets	7,473	1,088	1			18,128	1		66,065		92,756
Receivable from Standard Discount Corporation Limited				792,865					(792,865)		
Forward	85,861,381	6,533,970	1,216,388	970,984	110,599	28,738,936	1,056,110	1,301	2,769,660	(40,350,872)	86,908,457

	<u>Companies in receivership</u>						Commodore Factors Limited (Canadian dollars)	Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	<u>Combined</u>
	<u>Atlantic Acceptance Corporation Limited</u>	<u>Commodore Sales Acceptance Limited</u>	<u>The Premier Finance Corporation Limited</u>	<u>Adelaide Acceptance Limited</u>	<u>Atlantic Acceptance (Toronto) Limited</u>	<u>Atlantic Finance Corporation Limited</u>					
Forward	\$ 85,861,381	6,533,970	1,216,388	970,984	110,599	28,738,936	1,056,110	1,301	2,769,660	(40,350,872)	86,908,457
Deduct- Liabilities of the Receiver and Manager:											
Accounts payable and accrued liabilities	447,985		14,828		466	724,337	38,893	50	49,034		1,275,593
Amounts due to dealers when related instalment notes and accounts receivable are collected	341,645		53,656			44,208			121,604		561,113
	789,630		68,484		466	768,545	38,893	50	170,638		1,836,706
Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965, before full provision for the fees and expenses of the Receiver and Manager	85,071,751	6,533,970	1,147,904	970,984	110,133	27,970,391	1,017,217	1,251	2,599,022	(40,350,872)	85,071,751
Deduct- Senior debt	110,072,028										110,072,028
Deficiency (surplus) in net assets to meet senior debt outstanding, before full provision for the fees and expenses of the Receiver and Manager	25,000,277	(6,533,970)	(1,147,904)	(970,984)	(110,133)	(27,970,391)	(1,017,217)	(1,251)	(2,599,022)	40,350,872	25,000,277
Other liabilities:											
Subordinated debt	17,260,821										17,260,821
Junior subordinated debt	4,476,074										4,476,074
Due in respect of notes cancelled	5,138,925										5,138,925
Accounts payable and accrued liabilities	78,706										78,706
Dividends payable	249,430										249,430
	27,203,956										27,203,956
Deficiency (surplus) in net assets	\$ 52,204,233	(6,533,970)	(1,147,904)	(970,984)	(110,133)	(27,970,391)	(1,017,217)	(1,251)	(2,599,022)	40,350,872	52,204,233
Represented by:											
Capital stock	\$ 14,455,087		185,618	180,103	3	100,000	10,000	6	15,000	(490,730) (a)	14,455,087
Advances from Atlantic Acceptance Corporation Limited		35,662,719	3,042,764	4,146,608	251,706	32,491,631	7,923,818	31,639	2,519,022	(86,069,907) (a)	
	14,455,087	35,662,719	3,228,382	4,326,711	251,709	32,591,631	7,933,818	31,645	2,534,022	(86,560,637)	14,455,087
Deficit-											
As at June 17, 1965, as adjusted to December 31, 1965	66,379,855	27,917,398	1,908,021	3,242,835	142,521	4,588,387	6,556,672	29,256	(198,985)	(44,186,105)	66,379,855
For the period from June 18 to December 31, 1965, represented by the loss for the period	279,465	1,211,351	172,457	112,892	(945)	32,853	359,929	1,138	133,985	(2,023,660)	279,465
	66,659,320	29,128,749	2,080,478	3,355,727	141,576	4,621,240	6,916,601	30,394	(65,000)	(46,209,765)	66,659,320
	\$ 52,204,233	(6,533,970)	(1,147,904)	(970,984)	(110,133)	(27,970,391)	(1,017,217)	(1,251)	(2,599,022)	40,350,872	52,204,233

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING STATEMENT OF DEFICIT
FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
WITH SUBSEQUENT ADJUSTMENTS DURING THE PERIOD
FROM JUNE 18 TO DECEMBER 31, 1965 RELATING TO THE
ASSETS AND LIABILITIES AS AT JUNE 17, 1965

	Companies in receivership							Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	Combined
	Atlantic Acceptance Corporation Limited	Commodore Sales Acceptance Limited	The Premier Finance Corporation Limited	Adelaide Acceptance Limited	Atlantic Acceptance (Toronto) Limited	Atlantic Finance Corporation Limited	Commodore Factors Limited (Canadian dollars)				
Retained earnings at December 31, 1964, as shown by audited financial statements	\$ 454,152	143,502	257,842	38,557	(3,286)	228,746	301,689	(18,462)	602,469	(600,869) (a)	1,404,340
Add- Transfer of first preference share redemption reserve	46,736										46,736
	500,888	143,502	257,842	38,557	(3,286)	228,746	301,689	(18,462)	602,469	(600,869)	1,451,076
Deduct:											
Dividends-											7,983
First preference shares	7,983										
Second preference shares-											136,800
Series "A"	136,800										7,200
Series "B"	7,200										4,500
Third preference shares	4,500										
Common shares	314,873		254,253						115,315	(369,568) (b)	314,873
	471,356		254,253						115,315	(369,568)	471,356
Write down of furniture and fixtures			12,871								12,871
Goodwill written off			65,000								65,000
Loss (profit) for the period from January 1 to June 17, 1965	1,484,550	(186,338)	1,627,481	(11,868)	(3,091)	(247,282)	(186,757)	10,544	(43,147)	369,568	2,813,660
Premium on senior and subordinated notes	2,446,457										2,446,457
	4,402,363	(186,338)	1,959,605	(11,868)	(3,091)	(247,282)	(186,757)	10,544	72,168		5,809,344
Deficit, as shown by the unaudited financial statements at June 17, 1965	3,901,475	(329,840)	1,701,763	(50,425)	195	(476,028)	(488,446)	29,006	(530,301)	600,869	4,358,268
Add- Adjustments during the period from June 18 to December 31, 1965 relating to the assets and liabilities at June 17, 1965:											
Write-down of investment in, and advances to, subsidiary companies-											
Shares and debentures	1,727,933	9,999								(1,737,932) (a)	
Advances	43,775,375									(43,775,375) (a)	
Notes and accounts receivable at June 17, 1965 written off as uncollectible, less allowance for possible loss at that date	3,215,798	1,266,395	(1,486,605)	(94,691)	10,826	(152,081)	2,158,349	250			4,918,241
Estimated provision for possible loss on collection of remainder of notes and accounts receivable at June 17, 1965	9,936,000	26,948,006	1,675,000	3,399,879	131,500	3,621,900	5,094,537		300,000		51,106,822
Increase in unearned interest at June 17, 1965	3,264,444					1,355,210					4,619,654
Forward	\$61,919,550	28,224,400	188,395	3,305,188	142,326	4,825,029	7,252,886	250	300,000	(45,513,307)	60,644,717

	Companies in receivership						Commodore Factors Limited (Canadian dollars)	Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	Combined
	Atlantic Acceptance Corporation Limited	Commodore Sales Acceptance Limited	The Premier Finance Corporation Limited	Adelaide Acceptance Limited	Atlantic Acceptance (Toronto) Limited	Atlantic Finance Corporation Limited					
Forward	\$61,919,550	28,224,400	188,395	3,305,188	142,326	4,825,029	7,252,886	250	300,000	(45,513,307)	60,644,717
Deferred charges written off-											
Unamortized long-term debt											
financing expenses	1,080,497										1,080,497
Unamortized cost of investment in											
subsidiary companies in excess											
of book value at date of											
acquisition	175,784								100,000	726,334 (a)	1,002,118
Prepaid expenses	408,308	7,435				144,429				(1) (a)	560,171
Unamortized cost of developing											
new branches	119,469					374,916					494,385
Leasehold improvements, less											
accumulated depreciation	6,110					15,519					21,629
Loss arising when an asset of one of											
the companies, having a book value											
of \$750,000, was seized by the bank											
in partial satisfaction of their											
loan of \$614,001		135,999									135,999
Write-down of fixed assets to estimated											
realizable value	22,050	1,186	7,613			43,955	894				75,698
Adjustment (net) in liabilities											
recorded at June 17, 1965	(18,772)	2,200	10,250	380		77,131	26,875				98,064
Adjustment of income taxes, mainly											
in respect of the year ended											
December 31, 1964 recoverable as											
a result of losses in 1965		(123,982)		(12,308)		(371,964)	(235,537)		(68,684)		(812,475)
Value assigned to shares of Great											
Northern Capital Corporation Limited	(700,000)										(700,000)
Adjustment of foreign exchange on											
notes payable in United States											
dollars based on exchange rates											
at December 31, 1965	(534,616)										(534,616)
Amount received in excess of											
miscellaneous account receivable											
recorded at June 17, 1965						(44,600)					(44,600)
	62,478,380	28,247,238	206,258	3,293,260	142,326	5,064,415	7,045,118	250	331,316	(44,786,974)	62,021,587
Deficit at June 17, 1965,											
as adjusted to December 31,											
1965	\$66,379,855	27,917,398	1,908,021	3,242,835	142,521	4,588,387	6,556,672	29,256	(198,985)	(44,186,105)	66,379,855

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING STATEMENT OF LOSS
 FOR THE PERIOD FROM JANUARY 1 TO JUNE 17, 1965,
 THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP

	Companies in receivership						Commodore Factors Limited (Canadian dollars)	Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	Combined
	Atlantic Acceptance Corporation Limited	Commodore Sales Acceptance Limited	The Premier Finance Corporation Limited	Adelaide Acceptance Limited	Atlantic Acceptance (Toronto) Limited	Atlantic Finance Corporation Limited					
Operating income:											
Interest	\$3,492,532	1,433,835	183,469	143,937	12,122	2,934,565	426,005	78	451,009		9,077,552
Management fees charged to subsidiary companies	58,889	(46,389)							(12,500)		
Dividends from subsidiary companies	369,568									(369,568) (b)	
	3,920,989	1,387,446	183,469	143,937	12,122	2,934,565	426,005	78	438,509	(369,568)	9,077,552
Operating expenses:											
Administrative	5,200,740	206,259	1,715,672	12,210	274	1,618,290	(30,167)	9,718	276,796		9,009,792
Interest on notes-											
Senior debt-											
Bank advances	105,706	14,127				45			263		120,141
Short-term	1,126,107										1,126,107
Medium-term	116,382										116,382
Long-term	1,159,988										1,159,988
Subordinated debt	391,228										391,228
Junior subordinated debt	105,156										105,156
	8,205,307	220,386	1,715,672	12,210	274	1,618,335	(30,167)	9,718	277,059		12,028,794
Excess of operating expenses over operating income before interest on advances and income tax adjustment	4,284,318	(1,167,060)	1,532,203	(131,727)	(11,848)	(1,316,230)	(456,172)	9,640	(161,450)	369,568	2,951,242
Interest on advances to subsidiary companies	2,417,589	(980,722)	(95,278)	(119,859)	(8,757)	(871,093)	(269,415)	(904)	(71,561)		
Loss before income tax adjustment	1,866,729	(186,338)	1,627,481	(11,868)	(3,091)	(445,137)	(186,757)	10,544	(89,889)	369,568	2,951,242
Income taxes recoverable	382,179					(197,855)			(46,742)		137,582
Loss for the period, as shown by the unaudited financial statements at June 17, 1965	\$1,484,550	(186,338)	1,627,481	(11,868)	(3,091)	(247,282)	(186,757)	10,544	(43,147)	369,568	2,813,660

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINING STATEMENT OF LOSS
FOR THE PERIOD FROM JUNE 18 TO DECEMBER 31, 1965,
WHILE THE OPERATIONS WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

	Companies in receivership						Commodore Factors Limited (Canadian dollars)	Concourse Agencies Limited and Pay As You Study Plan Limited	Standard Discount Corporation Limited	Eliminations (See Note 2) Add or (deduct)	Combined
	Atlantic Acceptance Corporation Limited	Commodore Sales Acceptance Limited	The Premier Finance Corporation Limited	Adelaide Acceptance Limited	Atlantic Acceptance (Toronto) Limited	Atlantic Finance Corporation Limited					
Operating income:											
Interest	\$3,982,530	22,984	14,154	28,278	14,460	3,028,565	34,578		712,482	(95,948) (c)	7,742,083
Interest on advances to Lucayan Beach Hotel and Development Limited	66,348										66,348
Interest on receivable from Standard Discount Corporation Limited			30,000						(30,000)		
Management fee charged to subsidiary company	167,500								(167,500)		
Interest on marketable securities	100,114										100,114
	4,316,492	22,984	44,154	28,278	14,460	3,028,565	34,578		514,982	(95,948)	7,908,545
Operating expenses:											
Administrative	1,596,156	53,152	137,704	(2,166)	3,843	1,920,122	56,189	50	562,037	(95,948) (c)	4,231,139
Interest on notes-											
Senior debt-											
Bank advances	243,723										243,723
Short-term	1,265,529										1,265,529
Medium-term	147,405										147,405
Long-term	1,492,424										1,492,424
Subordinated debt	540,999										540,999
Junior subordinated debt	142,366										142,366
Interest on notes cancelled	124,425										124,425
	5,553,027	53,152	137,704	(2,166)	3,843	1,920,122	56,189	50	562,037	(95,948)	8,188,010
Excess of operating expenses over operating income before interest on advances and provision for the net loss of subsidiary companies	1,236,535	30,168	93,550	(30,444)	(10,617)	(1,108,443)	21,611	50	47,055		279,465
Interest on advances to subsidiary companies	2,980,730	(1,181,183)	(78,907)	(143,336)	(9,672)	(1,141,296)	(338,318)	(1,088)	(86,930)		
Less- Provision for the net loss of subsidiary companies	2,023,660										
	957,070	(1,181,183)	(78,907)	(143,336)	(9,672)	(1,141,296)	(338,318)	(1,088)	(86,930)	(2,023,660) (a)	
										2,023,660	
Loss for the period	\$ 279,465	1,211,351	172,457	112,892	(945)	32,853	359,929	1,138	133,985	(2,023,660)	279,465

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINING FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1965

1. Basis of preparation of combining financial statements:

The combining financial statements are presented for purposes of illustration only; reference should be made to the financial statements of the various companies and the notes pertaining thereto in considering their financial position and results of operations.

Except for the adjustments referred to in the next paragraph, the amounts appearing in the combining financial statements are in agreement with the financial statements of the individual companies included therein or those of the Receiver and Manager in the case of the companies in receivership. However, to facilitate the elimination of the inter-group assets and liabilities and income and expenses, certain accounts have been rearranged in the combining statements.

The following adjustments have been made in the accounts included in the financial statements:

Commodore Sales Acceptance Limited - In Receivership - These accounts have been restated to include interest charged by Atlantic Acceptance for the period from July 29 to December 31, 1965. As explained in Note 5 to the Statement of Deficiency in Net Assets of Commodore Sales, such interest was not reflected in the accounts of the Receiver and Manager of that company as at December 31, 1965.

Standard Discount Corporation Limited - The net assets of Standard Discount for purposes of consolidation have been written down by approximately \$470,000, primarily by increasing the estimated allowance for possible loss on collection of the receivables by \$365,620 and writing off the goodwill of \$100,000, to reduce the net assets of the company to the carrying value of the investment on the books of Atlantic Acceptance.

2. Eliminations on combining the financial statements:

The amounts shown in the eliminations columns of the combining statements (a) eliminate the inter-group investments and advances, (b) eliminate the dividends paid by wholly-owned subsidiaries to the parent company, and (c) eliminate the inter-company discount allowed on the sale by Premier Finance of notes and accounts receivable to Standard Discount.

